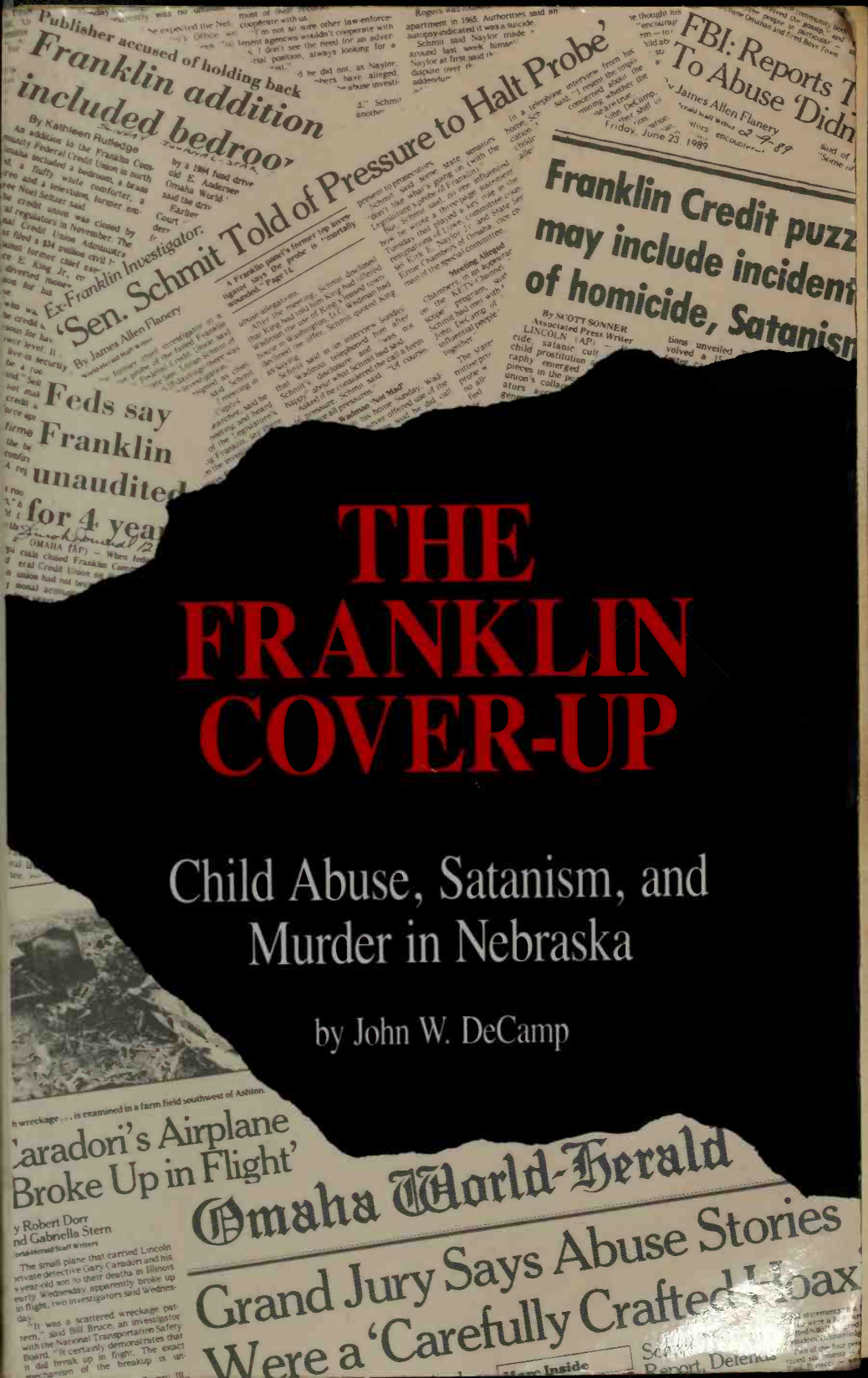
THE FRANKLIN COVER-UP

Child Abuse, Satanism, and Murder in Nebraska

by John W. DeCamp



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To the children who have been,
or will be, abused because of
the Franklin cover-up.

AUTHOR'S NOTE

This book was largely written before Senator Bob Kerrey of Nebraska announced his candidacy for President of the United States. Nevertheless, it covers episodes in Kerrey's career that are little known outside Nebraska, and are very revealing of his political style and standards. Since the events in the Franklin Credit Union scandal happened during the 1980s, the behavior of Kerrey's administration during his term as Governor of Nebraska (1983-1987) figures prominently in the book, especially Chapter 6, "The Destruction of Commonwealth Savings, Model for Nebraska."

Very little biographical material has been published about Bob Kerrey, whom I have known well for twenty years. For that reason, I felt obligated to provide Appendix B of this volume, "Bobby and Me." Readers particularly interested in Senator Kerrey will learn far more about him here, than from all the magazine cover stories about Kerrey that have appeared, and the ones I expect to appear during the presidential campaign.

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FOREWORD

"What do Ronald Reagan, President George Bush, former CIA Director William E. Colby, Democratic presidential candidate Bob Kerrey, billionaire and second richest man in America and now head of Salomon Brothers—Warren Buffett, and Ronald Roskens, the current administrator of the Agency for International Development, all have in common?" I asked my close friend and adviser William Colby one day in 1991.

"I give up," former head of the Central Intelligence Agency (CIA) Colby said. "What could that group have in common?"

"Three things," I replied, "all of them a burden at times for those who have to carry them. The three things are *me* (John DeCamp), a case called Franklin and a man named Larry King."

"Are you serious?" Colby asked.

"Dead serious," I responded. "And I hope that word 'dead' does not turn out to be a prophetic pronouncement, as it has for at least fifteen other Franklin-related personalities."

My statement to Bill Colby was not made lightly. Colby and his wife, Sally Shelton Colby, a United States ambassador under President Jimmy Carter, were at that very moment warning me to get away from the Franklin child abuse investigation, Larry King, and anybody else linked with Franklin, as quickly as possible for the sake of my own life and safety.

Sally and Bill had never talked to me like this before. They sat me down, made it clear that this was not one of our routine discussions about life and health and happiness, and emphasized to me the serious nature of what and whom I was dealing with.

"What you have to understand, John, is that sometimes there

are forces and events too big, too powerful, with so much at stake for other people or institutions, that you cannot do anything about them, no matter how evil or wrong they are and no matter how dedicated or sincere you are or how much evidence you have. That is simply one of the hard facts of life you have to face. You have done your part. You have tried to expose the evil and wrongdoing. It has hurt you terribly. But it has not killed you up to this point. I am telling you, get out of this before it does. Sometimes things are just too big for us to deal with, and we have to step aside and let history take its course. For you, John, this is one of those times," Bill warned, with Sally nodding her head in affirmation.

When a caution of this nature comes from someone of the stature and experience of Bill or Sally Colby, you have to take it seriously, even if you do not want to. I had already had warnings enough, that unless I backed off from the Franklin situation, I might be looking at life from a pine box six feet underground.

Bill Colby had ample reason to know the seriousness of the Franklin case. In secret, Colby had been hired a few months earlier by the Nebraska Legislature's investigative committee, to look into the single-engine plane crash, in which the Senate's private investigator, Gary Caradori, and his son were killed.

"But Bill," I argued, "somebody has to do something. The problem here is that our institutions of government have been corrupted. If there is a cover-up—and I now absolutely believe there is, even though originally I thought this whole Franklin story had to be a fantasy—then that cover-up can only take place with the cooperation and even the active assistance of some of our key institutions of government, from the courts to the cops, from the highest politicians, to the media representatives, to the wealthiest business leaders of our community and country.

"I can't believe what you are telling me, Bill. Are you saying I should just lay it down, and walk away from this, when I know kids are being abused and killed; when I know our most respected citizens and business leaders are up to their eyebrows in drug dealing and official corruption; when every bone in my

body tells me that evil is triumphing and everybody who is anybody is scared beanless to do something about it, for fear of one thing or another? How can any honest or intelligent person do this? If I, or someone like me, do not keep pursuing this, then who will? And if we quit now, then when, if ever, will the truth come out and something be done about this evil and this corruption?"

Bill could tell I was excited, frustrated and almost angry.

"Relax, just a moment, John," he said. "Relax, and I will tell you my own personal story. Maybe it will have some message for you.

"Last night I returned from Russia," Bill began.

Our conversation was taking place shortly before the now infamous August 19, 1991 coup attempt to throw out Gorbachov, and the subsequent collapse of the Soviet Union as it had existed since 1917.

"Why was I in Russia?" Bill explained. "For meetings in Moscow, to try to work with other world leaders and Russian leaders, privately and quietly, so that when and if a transition of power and a change of government and economic policy occur in Russia, they occur in such a way that it avoids a war.

"I was staying at a hotel located right near Red Square which, as you know, is the most guarded, sacred spot in the Soviet Union. It was about 1:00 in the morning. I could not sleep. The next morning I was to return to the United States. Not being able to sleep, I thought I would see if it was possible to walk around and get some exercise.

"I walked out of my room, expecting to be stopped by the guards or secret police. But nobody paid attention to me in the hallway. I walked on down into the hotel lobby. Nobody seemed to care.

"So, I walked out the door of the hotel, directly onto Red Square. Nobody paid attention. I stopped by Lenin's tomb. I stood a few feet away from the entrance to the Kremlin.

"Then it struck me like a ton of bricks: It was over. Here was the head of the CIA, once hated and feared by the Soviet Union, wandering unwatched and unguarded around Red Square, after spending the previous week meeting with their

leaders, trying to help them save themselves from economic collapse and political revolution, which might turn into a new totalitarian dictatorship. And nobody cared. The guards did not care who I was or what I was doing. The system had collapsed. It was over. Communism was dead. That was the happy part."

Bill went on, quietly, "But I also realized, that this walk in Red Square was going to be the only victory parade I would have, to celebrate my forty-year battle for this. There were not going to be any parades down Madison Avenue with ticker tape. This walk in Red Square was the only victory parade I was going to have."

"So, what's the message?" I asked. "What are you trying to tell me?"

"Sometimes," Bill said, "There are forces too powerful for us to whip them individually, in the time frame that we would like. We have to keep working at our goal. But we have to be sensible enough, not to risk everything and get ourselves destroyed or killed in the process. That victory we seek may take much longer than we wanted, and come in ways we never anticipated.

"Maybe, just maybe, you have to have your own private victory parade. You maybe have to face the fact that you cannot 'right' all the 'unrightable wrongs.' That there really are people too powerful, interests too big; that the rich and the powerful, even when doing evil, can and will succeed and you can do nothing about it *at that moment*.

"But," Bill continued, "you do the possible, recognize the impossible, and if you are right—and you are, and we both know it—there will be a time when victory will come and the good will triumph over the evil. Only the when and where and how are usually unknown to us. The best we might be able to do sometimes, is point out the truth and then step aside. That is where I think you are now. For your own safety and survival, step aside."

"Maybe I should start carrying a gun," I suggested.

Bill gave a cynical laugh and said, "No, that will only likely get you killed. If they are going to get you, a gun you are carrying is not going to stop anything. The best thing you can

do for your personal safety is to tell your story, and make sure you have the national press interested in this and looking into it with some really good investigative reporters."

"Huh," I muttered, "Maybe the simplest thing for me to do is to try to tell the story."

"Maybe it is," Bill said, "Besides, I myself want to fully understand what you said at the beginning about what all those prominent individuals, from President Bush to Bob Kerrey, from myself to billionaire Warren Buffett, have in common."

"Maybe I'll have to write a book, and tell you, won't I, Bill?"

Well, here it is.

INTRODUCTION

On June 21, 1991, 21-year-old Alisha Jahn Owen was pronounced guilty by a jury in Douglas County, Nebraska, on eight counts of felony perjury. On August 8, 1991, she was sentenced to serve nine to twenty-seven years in prison. Owen was indicted for telling a grand jury, before which she testified in 1990, that she was sexually abused as a juvenile, by a Nebraska district court judge, by the chief of police of the city of Omaha, by the manager of the Franklin Community Federal Credit Union, and others. Alisha Owen also witnessed, she said, the abuse of other children by figures in Nebraska's political and financial establishment whom she named, among them the publisher of the state's largest newspaper, the *Omaha World-Herald*. She testified that she was in a group of Nebraska children who functioned for years as illegal drug couriers, traveling nationwide, for some of Nebraska's wealthiest, most powerful and prominent businessmen.

Two grand juries, one local and one federal, had a mandate to consider these and other charges of child abuse connected with the Franklin Credit Union. *They indicted the victim-witnesses for perjury instead!*

"This is unprecedented, probably in the history of the United States," commented Dr. Judianne Densen-Gerber, a lawyer, psychiatrist and nationally prominent specialist on child abuse, during her visit to Nebraska in December 1990. "If the children are not telling the truth, particularly if they have been abused, they need help, medical attention. You don't throw them in jail!"

Both grand juries admitted that Alisha Owen and Paul Bonacci, whose testimony extensively corroborated Owen's, had

been badly abused. But this was done, they concluded, by persons other than those the young people named. Bonacci, too, was indicted for perjury. Two other victim-witnesses, whose stories buttressed those of Owen and Bonacci, recanted under immense pressure. Alisha Owen and Paul Bonacci refused to recant.

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America is suffering an epidemic of child abuse. "S.O.S. America," a 1990 report from the Washington, D.C.-based Children's Defense Fund (CDF), said that "a survey by the American Association for Protecting Children indicates that 2.2 million children were reported abused, neglected, or both in 1987—a 225 percent increase since 1976, and a 48 percent increase in the previous five years." CDF and other estimates caution, however, that only one in every five cases of abuse and neglect gets reported. "The dimensions of the abuse are staggering," Dr. A. Nicholas Groth, director of the sex offender program at the Connecticut Correctional Institute, told the *New York Times* in 1990, "If we saw these same numbers of children suddenly developing some kind of illness, we'd think we had a major epidemic on our hands."

Shocking as the numbers are, the nature of the crimes is more so. Ever more frequently, abuse involves what law enforcement officials refer to as "sadistic, ritualistic" features, or, to speak plainly, satanism. What the victims of this type of abuse describe is so horrific, that parents, teachers, and even child welfare workers have great difficulty to grasp what they are being told. The mind recoils from such evil, inflicted on the most innocent of all people, children.

In recent months, news media around the country have been full of propaganda to the effect that children who report abuse are just telling what they fantasized, or stories fed to them by adults. As for satanic or ritualistic abuse, many newspapers declare that it does not even exist, as the New York *Village Voice* did in a June 1990 article, which attacked "the great ritualistic abuse hoax."

A banner-headline story in the *Chicago Tribune* of May 17, 1991, "A chilling tale of child abuse no one can prove," gave typical coverage of the debate over whether or not children are being abused by satanists:

> All nine children tell the same story, a grisly tale of being taken out of school and abused in a blue house. They name the same culprit, a school administrator who performs satanic rituals as part of his twisted routine. In the 14 months since the first child came forward, police said they have conducted 150 interviews and cannot substantiate the claims of the children, who range in age from 5 to 9. Prosecutor Stanley Levco is more blunt: He doesn't believe them, and he plans to publicly clear the accused.
>
> But the children's enraged parents believe them. And a once-skeptical psychologist also thinks they are telling the truth.
>
> All agree the children have been traumatized. The problem is, no one can prove how. 'In all these cases, I don't know of a single shred of credible, corroborating evidence,' Levco said. . . .
>
> The stories of the Evansville children reflect a recent, bizarre trend in child abuse cases across the country. As more children are encouraged to step forward and expose adults who hurt them, police are encountering more cases of child abuse accompanied by allegations of occult rituals.

The *Tribune* cited Kenneth Lanning, the Federal Bureau of Investigation's expert on occult crime, on the virtual nonexistence of ritualistic abuse. Lanning, who has publicized his opinion that "more people have been killed in the name of Jesus and Mohammed than in the name of Satan," said on this occasion, that there had "been only one criminal conviction stemming from charges of satanic ritual abuse in the U.S."

On April 28, 1991, the *Omaha World-Herald* carried a story along these lines, titled "Satanism . . . Lots of Talk, Little Proof." It said that the problem was not an epidemic of satanic abuse, but rather, "authorities say, America is witnessing an *epidemic of concern* over Satan and his minions, especially among adherents of fundamentalist Christianity. So-called rit-

ual abuse is only part of it. But are these stories of incest and human sacrifice true? Many mental health experts think not. And at least two law enforcement officers, with the FBI and the San Francisco police, say they have looked into some of the claims and found nothing." (Emphasis added.)

An embattled minority of law enforcement officials disagrees with Lanning of the FBI. Ted Gunderson, a 28-year FBI veteran, former special agent-in-charge of the Bureau's Los Angeles Field Division, speaks from his personal knowledge of one of the most infamous recent cases involving ritual abuse, the McMartin pre-school case in California. After a 33-month trial, and despite voluminous evidence against them, school operators Peggy McMartin Buckey and her son, Raymond Buckey, were exonerated in January 1990 on 52 counts of molesting the children in their care, while the jury failed to reach a verdict on thirteen other counts against Raymond Buckey.

In a May 25, 1990 interview with *Executive Intelligence Review*, Gunderson said, "In the McMartin case, for example, before any criminal charges were filed against anyone, 460 complaints were filed with the Manhattan Beach police. Are we to believe that 460 families fed their children the same story of ritualistic sexual abuse, animal sacrifices, etc.?" He stressed that the crimes were reported in an affluent suburban area, where residents are typically skeptical about organized child abuse or satanic conspiracies.

Gunderson commented on the effect of Lanning's disclaimers: "In my opinion, other than [satanists active in the United States in the twentieth century] Aleister Crowley, Anton LaVey, and Michael Aquino, Ken Lanning is probably the most effective and foremost speaker for the satanic movement in this country, today or any time in the past."

Evidence from Gunderson's investigations has convinced him that tens of thousands of children or young people disappear from their homes each year, and that many are ritually sacrificed. A decade ago, one estimate, printed in *Reader's Digest* in July 1982, was that "approximately 100,000 children are unaccounted for" each year. That number sounds too high, but

nobody knows what the true figure is, because *the FBI does not keep count*. Gunderson observes:

"The FBI has an accurate count of the number of automobiles stolen every year. It knows the number of homicides, rapes, and robberies, but the FBI has no idea of the number of children who disappear every year. They simply do not ask for the statistics. Every month, every major police department in the United States files its uniform crime statistics with the FBI. It would be simple for the bureau to add one more column to the statistics and get a breakdown of every reported case of missing children—not to even mention children who are kidnaped for ritualistic purposes, and, in some cases, murdered. I am convinced that the FBI does not ask for these statistics because they do not want to see them. They would be confronted with an instant public outcry for action, because the figures would show a major social problem. That problem would demand action."

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The Franklin Credit Union scandal, centered in Omaha, opens a window into the hideous world of child abuse, and of organized, illegal drug peddling, patronized and protected by powerful figures in politics and business.

National media interest in the case flickered in 1988, when the Franklin Community Federal Credit Union was raided by federal agencies and shut down. Franklin's manager was Lawrence E. (Larry) King, Jr., then 44, a rising star in state and national Republican circles, an officer of the National Black Republican Council. King sang the national anthem at the GOP national conventions in 1984 and 1988.

Nearly $40 million was missing from the coffers of the small, ostensibly community-oriented credit union. The financial scandal turned into something more, when it became known that children from Omaha and its surroundings said they had been flown from city to city, to be abused at parties held by Franklin's officers and well-known Nebraskans, including nationally prominent Republican Party activists. "A Lurid,

Mysterious Scandal Begins Taking Shape in Omaha," headlined the *New York Times*.

Three years later, people living outside eastern Nebraska are unlikely to be aware of the Franklin scandal, and those in the region have been told that the case is closed. Larry King is serving his jail term for misappropriation of funds, after a guilty plea. Law enforcement at the local, state and federal levels said there was no evidence of drug-peddling, organized child abuse, or satanic activity by King. The allegations of child abuse were "a carefully crafted hoax," according to one of the two grand juries that examined the affair. A chief witness, Owen, stands convicted of perjury.

The day after Alisha Owen's conviction, 3,000 Nebraskans responded to a local radio station's poll; 94% of them said they believed that she had been railroaded and that there was a cover-up.

What the public suspects, the careful investigator of the Franklin case confronts face to face. This case is far from closed.

This book will explore the substance of the Franklin case, much of which has never been revealed to the public until now. That means evidence concerning key players, which apparently was never brought before, or was ignored by, the grand juries. It means evidence gathered for the Nebraska Legislature's special committee on the Franklin case, which found and verified the tracks of criminal activity, where law enforcement purported to see none. The legislative investigation, which began in November 1988, ended on January 9, 1991, when a new Legislature was sworn into office, and the investigative committee authorized by the previous Legislature was automatically terminated as required by the state constitution. The Legislature had the option to renew the investigation, but did not; many members knew or suspected what the stakes were, and were terrified.

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I write about the unfolding of the Franklin case, its exposure and its cover-up, as not only an eyewitness, but a participant

in these events. I knew how high Larry King's reach went; I was sitting in the front row, just fifteen feet from the main podium, at the 1984 and 1988 Republican national conventions, duly elected by the people of the State of Nebraska as a delegate, pledged, in the first instance, to Ronald Reagan and, in 1988, to George Bush.

I was there, as the story of the Franklin Credit Union and the child abuse broke in Nebraska. I wrote the "DeCamp memo" in 1990, which marked a new phase of the case. I will describe events in which I personally was involved. Most of these have never been made public, and it has pained me tremendously at times, when I knew that the *Omaha World-Herald* was saying something false or distorting a fact, that I had no forum or no legal right to respond, because I had to protect a client or honor a legal privilege.

As an attorney, furthermore, I have some specialization in cases of allegations by youngsters against adults in the area of child abuse. It has been my policy and belief, as it is now, that there is nothing worse than child abuse, with the possible exception of falsely accusing people of child abuse. Just in the past year, I have overturned two felony charges against individuals in rural Nebraska, who were charged with abusing their daughters, based on allegations from the daughters. I was convinced the girls were not telling the truth. I successfully proved this in both cases, and the girls broke down and told the whole story as to why they had lied.

In addition, I am the lawyer for the National Child Abuse Defense and Resource Center of Nebraska, which fights against false accusations of child abuse, and is made up of adults who have been falsely accused of child abuse.

By contrast with these cases of fantasy, I can say without reservation that in one Franklin-related instance after another, there was sufficient evidence and corroboration *available for anyone seeking it,* to back up the victims' tales.

My own recollections and considered judgments are just a fraction of the huge record of the Franklin case.

The files of the Legislature's main investigator, the late Gary Caradori, testify to the mass of leads law enforcement would

not pursue. Documentary evidence presented in this book, never before made public, makes it possible to contrast the assurances of local and state officials that there was little or no Franklin-related abuse, with what those agencies had in their own files.

The chapters of this book dealing with Franklin are based, apart from my direct experience, strictly on documents available and documented facts. I do not claim to know the accuracy or veracity of every statement made by every witness or other person, recorded in these documents. I do claim, however, that the statements and the evidence were officially presented exactly as described. Readers can draw their own conclusions, as to what is or is not believable.

I have been very careful to present only material and documents which I can legally and properly, in my opinion, make available.

I also must state, that I received none of the Franklin committee documentation from the committee's chairman, Senator Loran Schmit, other than what I was entitled to as attorney for Paul Bonacci. Some people inevitably will claim, as they did when I issued the DeCamp memo in January 1990, that Senator Schmit, whose private attorney I am, "leaked" everything to me. I said then, and I say now, that nothing could be further from the truth.

Neither is anything whatsoever from grand jury documents—some of which I had access to—presented here, because I am not allowed to disclose this information. I wish I could. I wish everything about Franklin could be made public. Then, the public could judge even more thoroughly about what is true and what is false. I believe that sunshine and exposure of all facts from all agencies that have information about Franklin would establish the truth of the stories of drug abuse, child abuse, pedophilia, abuse of positions of public trust, cover-up by institutions of government, and, most tragic, involvement in this conduct and later cover-up by some of our most respected and wealthiest citizens.

I believe that the record must get out into the open, to the extent possible, and that the public has to share the information.

Otherwise, truth becomes whatever those who control the institutions of government, and the press, say it is. Benjamin Franklin said, "Whoever would overthrow the liberty of a nation must begin by subduing the freeness of speech." For a textbook example of how this can be done, I would say: Come to Nebraska! Watch how when you totally control the press, when you own the press, you can make truth be whatever you want, you can make villains out of heroes, sinners out of saints, and vice versa.

In this book, therefore, much of the material has been kept in its documentary form—the words of investigators, state senators, victim-witnesses, parents, police, or FBI, as recorded in police documents, eyewitness reports, testimony to the Legislature, published interviews, and so on. I will allow these documents to speak for themselves.

Spelling and punctuation have been left as they appear in documents, except for minor punctuation changes in transcripts. Interpolations in quoted material are denoted by brackets []. When the name of a victim or other person is not his or her real name, it is marked with an asterisk * the first time it appears.

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The Franklin case, which has dominated political life in Nebraska for three years, has chilling implications for the whole United States. The unfinished business of the Franklin investigation is a matter not only of justice for children in one state, but of the lives of untold numbers of children everywhere. Evidence developed from Franklin and King's activities leads into drug-trafficking, money-laundering, pornography, child prostitution, and the kidnaping and sale of children in different parts of the United States, and abroad.

The shocking treatment of Alisha Owen and Paul Bonacci by the courts in Nebraska is one give-away, of what a high stake has been wagered on suppressing the Franklin scandal. Members of the state Senate and investigators who sought to discover the truth of the matter, found that out earlier on, in a personal, violent manner.

CHAPTER 1

"NEBRASKA IS DEATH-LACED"

"If even half of what I have heard is true, this is the biggest thing to ever hit Nebraska," Gary Caradori told his wife, Sandie, late one night in August 1989. Although he was exhausted, the new chief investigator for the Nebraska Legislature's Franklin committee did not sleep that night. There was more cause for sleeplessness in the weeks that followed.

On September 14, 1989 someone broke into the Caradoris' home.

By January 1990, Caradori was writing to Nebraska Secretary of State Alan Beerman, "We—my employees and myself—have been followed and questionable situations have arisen during this investigation. Threatening situations have resulted numerous times. Why? Am I too close to something they do not want to become public?"

On April 13, 1990, a repairman from the Executone company reported to Caradori that his phone was tapped, a finding confirmed to him by sources inside the phone company.

The investigator continued to work, with a growing sense of the importance of his task.On May 29, 1990 Caradori wrote to Franklin committee chairman Loran Schmit. "To be frank," he told the senator, "it is my opinion that we are the only ones who are seriously working to get this case 'out in the open,' so to speak. I honestly feel that should we terminate this investigation that no further work will be done on it."

On June 23, 1990, Caradori took a few hours off to attend a barbecue at the Omaha home of Mary Lyons-Barrett. Most of those present were members of the Concerned Parents, a

group of citizens who were outraged about the lack of a serious investigation of child abuse by state or federal authorities, and the campaign in Nebraska's major newspaper, the *Omaha World-Herald,* to discredit young victim-witnesses. Arriving in a 1980 white Corvette, Caradori told Concerned Parents president Trish Lanphier he had taken the car out of storage for the day's drive, because his other vehicles had been tampered with, and he was "sure that no one had ever seen that car." He was planning to sell his boat for the same reason, but what he most feared, he told Lanphier, was that someone would tamper with the private plane he often flew. "It would be so easy to tamper with a plane."

In early July 1990, Caradori phoned Senator Schmit. "We've got them!" he exclaimed about some new evidence he had just developed. "There's no way they can get out of it now!" He and his son Andrew ("A.J.") would be flying to Chicago for the All-Star Game the weekend of July 7–8, he told Schmit. Caradori was going to do a little investigating on the side and would review the new evidence with the senator, upon his return the following Wednesday.

On that Wednesday morning, July 11, 1990, Senator Schmit was in his office, talking with a journalist about the Franklin investigation. He related the numerous threats received by himself and Caradori, and Caradori's evaluation of those threats. "It's unlikely that they would kill you or me, Loran, because that would be too obvious," Gary had said once, "But then again, you never know."

At about 10:30 a.m., Senator Schmit took a phone call. He listened for a moment, appeared shaken, and said, "Oh, my God, no!" After asking a few questions, he hung up, tears in his eyes. "Gary's dead."

It happened at 2:30 a.m. on July 11, when Gary and A.J. were flying back to Lincoln, Nebraska from Chicago. A farmer in Lee County, Illinois reported that he saw a flash of light, heard an explosion, and saw a plane plunge to the ground. The Caradoris were killed, the plane's wreckage scattered over three-quarters of a mile. The eyewitness account of a flash of

light and an explosion was on the early edition of television news in Nebraska, but got pulled from subsequent reports, which said that the plane exploded on impact.

At the Nebraska statehouse that morning, Senator Schmit talked to reporters, who soon filled his office. "There were a lot of people in this state who wanted to see Gary dead," he charged. "They got their wish. The question to be answered is whether it was a coincidence."

Gary's brother Dick Caradori was interviewed by the *Lincoln Journal* about the many threats Gary had received. "I know that it weighed a lot on his mind," Dick said. "He always hoped that they just didn't cover it up. He said there was a lot to it and a lot of big names involved and hoped their money wouldn't sweep it under the rug." Gary's mother, Mary, told the paper that Gary "cared dearly about the people involved in the Franklin case. He worked day and night for them."

Sandie Caradori never received official notification of her husband's and son's deaths. She heard the news from friends, who heard it on the radio. Early the next day, before the bodies were even home from Illinois, the FBI descended on Caradori's office with a subpoena for all his records.

What evidence had Caradori turned up? According to the *Lincoln Journal* the day after Caradori's death, "Schmit confirmed that Gary Caradori had been trying to obtain pictures that some alleged victims said were taken of them during the period when they were being abused. He also confirmed that Caradori had been told that some of those allegedly involved in child sexual abuse 'had exposed some of the victims to satanic cultism. He was working on places and times.' " He was also working on leads into Washington, D.C.

Mystery surrounded not only the crash of the airplane, but Caradori's whole trip. Gary and A.J. had stayed at the Days Inn Lakefront Motel in Chicago, where both his wife and his associate Karen J. Ormiston had telephoned, asked for him by name, and spoken with him (their phone bills showed the calls), but motel management would tell Caradori's investigative firm there was no record of his ever having stayed there. And if

there was no record that Caradori had registered at the motel, there was also no record of what phone calls he might have made from Chicago.

After months of investigation, the National Transportation Safety Board had not come up with the cause of the crash. My friend Bill Colby, former director of the CIA, commented after he looked into the matter, that the cause would probably never be known. Mary Caradori rendered her own verdict on the deaths of Gary and A.J.: "My son and grandson were murdered."

Many Nebraskans echoed her opinion. They have growing grounds for suspicion. From late 1988, when the Franklin case first broke into public view, until mid-1991, at least 15 people associated with the case as investigators, alleged perpetrators, or potential witnesses, died sudden deaths, many of them violent.

In December 1990, as Dr. Densen-Gerber prepared to travel to Nebraska at the request of the Legislature's Franklin committee, she consulted several friends with relevant expertise. One of them was a member of the New York State Police, who warned her, "Don't go. Nebraska is death-laced."

Caradori's death cast a pall of terror over the state. Civil rights leader Rev. James Bevel, who visited Nebraska in October 1990 as part of a fact-finding commission, said that he had never seen such terror on people's faces, "not even on the faces of Mississippi Negroes in the 1950s and 1960s," who lived under the threat of lynchings by the Ku Klux Klan.

In this atmosphere, Douglas County and federal grand juries indicted victim-witnesses Alisha Owen and Paul Bonacci. The Senate Franklin committee went out of existence on January 9, 1991. On June 21, 1991, Alisha Owen was found guilty, and Douglas County prosecutors dropped the charges against Paul Bonacci. As far as the Nebraska political establishment was concerned, the door on the Franklin case was slammed shut for good.

Thousands of Nebraska citizens are concerned that what Gary Caradori uncovered not go with him to the grave. The story of the Franklin Credit Union investigation is intertwined with the systematic cover-up that investigation confronted, from the time of the first cries for help from children six years ago.

CHAPTER 2

LARRY KING, A MAN WELL-KNOWN TO CHILDREN

The first alarm went off on June 10, 1985, when the Washington County, Nebraska, Sheriff's Department contacted a Nebraska Department of Social Services (DSS) social worker handling the case of Sean*, Sally* and Steve McArthur*. The children were living in foster care with Jarrett and Barbara Webb of Fort Calhoun.

The social worker wrote up the call:

> The Sheriff's department phoned today and stated they have the McArthur children in their custody and they had picked them up from the Webb home due to child abuse complaint. Sean had welts and scratches over parts of his back which he said the Webbs had beat him with a railroad iron and belt. They also had picked up the Webbs' son Joey*, age 16. Joey also complained of being beaten by his parents. . . . Sean said the Webbs have been beating [them] for quite some time and this is not the first time this has happened to them. They were afraid to say anything the other times. . . .

Jarrett Webb worked for the Omaha Public Power District and was a board member of the Franklin Community Federal Credit Union, headed by Lawrence E. King, Jr. His wife, Barbara, is Larry King's cousin.

Foster child Sean McArthur and adopted son Joey Patterson* Webb were removed from the Webbs' custody that month. Other of their foster and adopted children—there were as many as nine in the house at one time—tried to make their break,

sometimes alone, sometimes in pairs. In August, Joey's sister Kimberly Patterson* Webb (age 14) and another brother, Michael*, ran away, but were returned to the Webbs. In November, Nelly Patterson* Webb, 16, fled to the home of her grandmother, Ruby Patterson*.

The Fremont office of DSS reported on the reasons, in a document dated December 18, 1985:

> Our office and a Deputy interviewed Kimberly [who had obtained permission to visit Nelly at their grandmother's] and Nelly separately and together. Both girls stated numerous times that they refuse to go back to the Webbs. . . . Both girls have stated they have received "whippings" and "beatings" from both Barbara and Jarrett at different times. These started in 1978, approximately eight months after they moved into the Webb home. The girls said they were hit with objects: an extension cord, a belt, a "black thing," (rubber hose) and a "railroad prop" (a narrow piece of heavy black rubber approximately two feet long with several holes in each end). Before they were struck, they were made to remove their clothing. They were mainly struck on the back or on the behind, but occasionally on the head or face.

Social workers removed Nelly, whose full name was Cornelia M. Patterson* Webb, from the Webb home and placed her with foster parents Ron and Kathleen Sorenson in Blair, Nebraska. Soon after this move, she was interviewed at the Washington County Sheriff's Office by State Patrol Investigator Jane F. Tooley. Tooley found out that the abuse was not limited to beatings.

Tooley wrote in her report, dated January 30, 1986:

> She stated that she had been sexually abused. . . . Nelly stated that when she was approximately nine or ten years of age, that Jarrett Webb kissed her for a long time and that she pulled away because she couldn't breathe and it was nasty. She stated that he was french kissing her and she stated that he was slobbering in her mouth. . . . Nelly stated again that when she was approximately nine or ten years old that on one occasion Jarrett Webb made her take a nap with him in his bed and she stated "he played with all my body

> parts" . . . he touched her vagina and that he put his finger inside her vagina. . . . Nelly stated that when she was 10 and 11 years old, at night time when everyone was in bed, Jarrett Webb called her into his room a couple of times. When she didn't come into the room he then told her to come in or he would whip her. . . . She stated that Jarrett Webb pulled the sheet down and pulled her on top of him. . . . She stated that she could feel his hair against her leg and knew that he didn't have any underwear on.

When Nelly was 15, she told Tooley, Jarrett Webb punished her by ordering her to undress and lie on the bed, and then beating her with a rubber strap. Next, he made her lie on her back, put her legs in the air, and "he pressed himself between her legs," and "started 'humping her'. . . . He started beating her again with the strap. . . . He then started sucking on her breasts. . . . Nelly stated that she started crying and that Webb left."

When, in February of 1986, the Department of Social Services requested immediate and emergency removal of Kendra* and Michael Webb from the Webb home, it listed eight separate concerns, among them:

> 2) Repeated allegations of physical abuse told to our Department by six children during separate interviews: a) of being struck for long periods of time while naked, by various objects, including a belt, rubber hose, and the "railroad prop"; b) denial of meals in the home
>
> 3) Sexual abuse of Nelly by Jarrett (supported by a polygraph test given to Nelly 1-30-86)
>
> 4) The intense concern by the children out of the Webb home for the physical and emotional well-being of the children remaining in the home. . . .

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DSS memos show that the Webbs aggressively sought to terminate their status as adoptive parents of Nelly and Kimberly, starting immediately after Nelly's flight in November

1985. Under DSS rules, this would cut short an investigation into the mistreatment of the girls.

Reversing an adoption was not a routine procedure. "Regarding a relinquishment [of adopted children], the Department does not accept one easily," noted one DSS social worker in her log of the Patterson Webb case. The Webbs insisted on it. Social workers recorded that in January 1986, Barbara Webb "was crying and carrying on," inquired about "allegations" the girls were making, and wanted "to get relinquishment over with."

Negotiations on behalf of the Webbs were conducted by attorney Gary Randall, whose brother Casey Randall was in the orbit of Larry King's Franklin Credit Union; Nelly and Kimberly referred to Casey as "Larry's maid." Gary Randall arranged the relinquishment with the help of the very official who would have handled a criminal prosecution of the Webbs for child abuse, had there been one at that time—Washington County prosecutor Patrick Tripp.

In June 1986, in the face of a pattern of gross abuse of children by the Webbs, the state suspended their foster care license. Prosecutor Patrick Tripp again came to the rescue, deciding not to file sexual abuse charges or any other charges against Jarrett or Barbara Webb.

Instead of investigating her reports about the Webbs' involvement in pornography and child prostitution, Tripp called Nelly Webb a liar—lie detector tests notwithstanding.

Tripp's attitude was recorded by Julie Walters, a youth care worker called on to interview Nelly and Kimberly Patterson Webb in March 1986, because they had described abuse of boys residing at Boys Town, the large orphanage west of Omaha, where Walters was employed. In Walters' fifty-page report on the child abuse described to her by the girls, Tripp figures as an adversary of the children:

> When presented with Jane Tooley's investigation, Pat Tripp, the Washington County prosecutor, said he didn't believe Nelly and wanted her to take a polygraph test. At his request, Nelly was given four polygraph tests administered by a state trooper at the State Patrol office on Center St. in Omaha.

> The state trooper, after Nelly's testing was completed, told Kathleen Sorenson he tried to "break Nelly down" but he was convinced she was telling the truth. He also told Nelly that she "passed" and that he believed her. Although the polygraph tests showed Nelly was not deceptive, Atty. Pat Tripp maintained he still didn't believe what Nelly said. He said Nelly had fantasized those stories to the point that she believed they were true.

Tripp's line, that child victims in Nebraska just invent abuses, and that therefore their complaints need not be seriously investigated, would be heard from one law enforcement agency after another, throughout the Franklin case, down to the perjury conviction of victim-witness Alisha Owen.

For Pat Tripp, there was a personal element in this case. He was a "good friend," according to foster parents cited in a September 1989 report by legislative Franklin committee investigator Karen Ormiston, of two individuals named by Nelly and Kimberly Webb as involved with the Webbs—Fort Calhoun Superintendent of Schools Deward Finch and Fort Calhoun High School principal Kent Miller.

Between late 1985 and June 1986, thanks to Tripp, the Webbs escaped both a DSS investigation and possible criminal prosecution. Shortly after his refusal to file criminal charges in this case, Tripp quit as Washington County attorney. Today he is a prominent lawyer in Omaha.

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Well-known as they were, Deward Finch and Kent Miller were small fry compared to another name that appeared in Walters' report, the same person for whom Nelly and Kimberly said Casey Randall was the "maid"—Larry King. Walters wrote:

> While the Webbs were away, the kids snooped through the house. They found: 1. pornographic video tapes in a bag under the Webbs' bed (which the kids played on the VCR while Webbs were gone)—one tape specifically showing teenagers involved in sexual activity. Nelly and Kimberly

> knew from eavesdropping that Larry King supplied the Webbs with the video tapes; 2. pornographic magazines in the basement. Once when Sean was suspected of snooping around in the magazines he was not allowed to eat anything at the Webbs' house for one week; 3. box of a lot of "romantic" novels in Mrs. Webb's closet (i.e., mothers having sex with their sons); 4. stacks of 8″ × 10″ (approx.) "photo" envelopes marked "DO NOT BEND" in Mrs. Webb's closet . . . ; 5. photos of naked white women in Webbs' bedroom dresser drawer.

Walters' report also conveys the Webbs' pricey lifestyle and the involvement of more people, including Larry King, in their activities:

> Although at the 3/7/86 hearing, Mr. Webb stated that he earns $32,000/year, the Webbs' home is furnished quite expensively ($2,000 paintings, crystal, silver, several VCRs, TVs, etc.). Also, Mrs. Webb wears a four carat diamond ring, a full-length fur coat, all custom-made dresses, expensive accessories. When they throw a party it includes caterers and limousines. . . .
>
> Larry [King] attends meetings/parties at the Omaha Girls' Club . . . about every other week. He sometimes invited Joey Webb or Nelly by calling the Webbs and telling them to have one of the kids ready in so many minutes. Nelly said they had no choice about attending these functions. She said she attended only once about 2 years ago (age 14) but Joey attended regularly from the time he was in seventh grade (approx. age 12–13) until he left the Webbs' home (age 16). When Nelly attended she and Larry King went alone in his limo. Other times, Mrs. King and Mr. and Mrs. Webb also attended.
>
> Nelly described these functions as lasting about 45 minutes. She said she attended one held on a Fri. evening about 7:00 p.m. There were about ten to fifteen older men present and about twenty-five young teenage girls there. The girls all signed a brown notebook Larry King had. Nelly has appeared very frightened and teared up when asked about [document illegible]. . . .
>
> Larry King either called or sent invitations to Nelly, Kimberly and Joey to attend parties at his home which are

held about every other week. This began about two years ago. Again, Nelly said the kids had no choice about whether or not they would attend. They were driven over to King's with Mr. and Mrs. Webb. . . .

Nelly and Kimberly said they talked with boys at those parties who said they were from Boys' Town. . . . From [Boys' Town] year book photos, after examining '83, '84 & '85 yearbooks, Kimberly said [four boys] had all attended some of Larry's parties during the summers of '84 and '85. Nelly was afraid to mention any names but earlier had mentioned a "Brent" (whose picture she didn't find in the yearbooks), who told her he had left Boys' Town in '84. Brent was "flown to another city somewhere" in Larry's private plane to "work for someone else" after he and Larry had a disagreement. . . .

At the parties there are usually about thirty adults present, male & females, more white than black guests because according to Larry "blacks get ignorant when they drink and tighter with their money and whites spend more money when they're drunk." Also present were some prostitutes (ages unknown but not teenagers) and [illegible] ages 16–22, and Nelly and Kimberly—about twenty kids total. If a man was interested in a young lady he held out a folded $50 or $100 bill in front of them and whispered something in their ear. Then they went upstairs or to some other area of the house. Nelly and Kimberly said the prostitutes told them they gave half of the money they got to Larry King. Larry also gave some of the boys at these parties new cars. The sexual activity was not always behind closed doors or confined to the upstairs rooms, and sometimes involved more than two people. Couples engaged in sexual activity were same-sex as well as opposite sex. . . . The money Joey told Nelly and Kimberly he made "working for Larry" the Webbs took from him supposedly to keep for him. . . .

The girls talked about Larry King's power to command underage youth to do his bidding:

Larry claims to donate money to Boys' Town and be on the Board of Directors at Girls Club. Nelly said Larry has gotten Boys' Town boys and other boys to his home by asking them to do some yard work. If Larry asks the young man to do

something and he refuses, Larry might hit him. Nelly said Larry "has a bad temper." Larry also tells the young men they'll get hurt.

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Julie Walters' write-up contains the most explosive account by the Patterson Webb girls, which marked the pornography and prostitution network they were caught up in as a scandal of national scope. What they told was so awful, that it screamed for immediate investigation. In the course of attempts by law enforcement personnel and, later on, news media to belittle the children's testimony, however, this particular item from Nelly's account would serve the opposite purpose: How can anything she says be believed, the line went, if she says this? The passage in Julie Walters' handwritten report reads as follows:

> Nelly also accompanied Mr. and Mrs. King and [their son] Prince on trips to Chicago, N.Y. and Washington, D.C., beginning when she was 15 years old. She missed twenty-two days of school almost totally due to these trips. Nelly was taken along on the pretense of being Prince's babysitter. Last year she met V.P. George Bush and saw him again at one of the parties Larry gave while on a Washington, D.C. trip. At some of the parties there are just men (as was the case at the party George Bush attended)—older men and younger men in their early twenties. Nelly said she has seen sodomy committed at those parties. At other parties during Larry's trips, Larry had local prostitutes (in their 20's & 30's) there to entertain his male guests. . . .
>
> At these parties, Nelly said every guest had a bodyguard and she saw some of the men wearing guns. All guests had to produce a card which was run through a machine to verify the guest was, in fact, who they said they were. And then each guest was frisked down before entering the party.

This was not the last time that the name of George Bush would surface in the Franklin affair.

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After the Patterson Webb girls raised Larry King's name, Julie Walters asked some discreet questions about King of Boys Town employees, and of some people in the north Omaha community. Walters summarized what she was told:

> "If you mess with him, you'll get your legs broken."
>
> "On the outside he has all the appearances of an upstanding citizen; but underneath he's very dirty."
>
> "Omaha has a very large underworld and he's a very powerful man nationally. Maybe he doesn't have all the connections personally but he knows the people who do. . . . [King] used to be very active in Big Brothers and took more than an appropriate interest in the young men."

Walters also recorded information on Fort Calhoun school officials Deward Finch and Kent Miller, whose "good friend" Washington Country prosecutor Pat Tripp was. Finch would later be named by two other victim-witnesses as an associate of Larry King.

Walters wrote:

> Kimberly overheard Mrs. Webb tell someone on the phone, "I got him [Finch] all the way. I caught him several times down there with black girls." Nelly saw Mr. Finch leave the Webb home once as she returned home from school and Kimberly saw him leave the Webb house several times during daytime hours. Kimberly's first period class at school is a study hall which is located across the hall from the school's office. She said Mr. Finch would regularly call the Webbs and say, "It's time for another meeting." Mr. Finch would interrupt whatever he was doing when the Webbs arrived to meet with them, meeting in the school office sometimes for several hours. At some meetings, Kent Miller, principal of Ft. Calhoun H.S., was also present. Mrs. Webb almost always carried a large Gucci bag (almost the size of a shopping bag) with her into these meetings. Kimberly said Mrs. Webb carried some photo envelopes (from Mrs. Webb's closet) with her at least once into these

meetings, telling Kimberly she was going to show Mr. Miller pictures from their trip.

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The Walters report was turned over to law enforcement agencies by March 1986. The DSS logs were also accessible.

Law enforcement officials failed to pursue the many clues and leads provided in these eyewitness accounts by children living with the Webbs, which might have taken them into a cleanout of child prostitution, pornography, and interstate transportation of child prostitutes from Boys Town. While they stalled, the trail grew cold. County Prosecutor Patrick Tripp called Nelly Patterson Webb a liar after she passed four lie detector tests. Nobody was indicted. Jarrett and Barbara Webb went free. And Larry King was invited back to sing the Star Spangled Banner at the Republican National Convention in 1988, as he had done in 1984.

CHAPTER 3

PORNOGRAPHY AND RITUAL MURDER

On May 5, 1988, Margo Georgiu* and her daughter Brenda Parker*, 17, filed a complaint against an Omaha photographer, Rusty Nelson, which the Omaha Police Department (OPD) logged under "possible child pornography."

According to police records, Nelson approached Brenda at a store where she was a cashier, and told her he was "doing some photographic work for the Easter Seals Campaign." He left her his business card, which read "Rusty Nelson the Camera Man, Creative Photography." When Brenda telephoned, Nelson said he needed to take pictures of redheads like her for a "European portfolio," and that she would pose wearing swimsuits and lingerie. Brenda asked if she could bring her mother to the photography session, to which Nelson agreed.

Officer Irl Carmean interviewed Parker and Georgiu on May 9, about what they had seen five days earlier, during the five-hour session with Nelson at his studio in the Twin Towers. Carmean recorded:

> NELSON took several photographs of PARKER in various types of clothing, although no swimsuits or lengerie [sic] were worn. Brenda stated that NELSON repeatedly made references to PARKER in her birthday suit and making her breasts look bigger. Nelson never specifically asked PARKER to pose nude or semi-nude but did try to get her to show as much skin as possible and also try to make PARKER show as much cleavage as possible. Repeatedly, NELSON tried to persuade PARKER to model in lengerie [sic] as well as a form of clothing known as "teddies." PARKER indicated she refused to do this.

> During the course of the photographic session, PARKER'S mother MARGO GEORGIU looked at several photographs which were scattered about the apartment and apparently taken by NELSON. Margo GEORGIU stated that she observed several photographs of nude females ranging in age in her estimation from 20 years old to as young as possibly twelve. Several of the females in the photographs showed frontal nudity.

Suspicious about the Creative Photography set-up, Margo Georgiu phoned around to various modeling agencies and schools in Omaha, to which Nelson had claimed he supplied pictures. No one there had heard of him, with the exception of a man at one agency, who called Nelson a pervert and warned Georgiu to keep her daughter away from him. That's when she called the police.

Officer Carmean reported:

> Brenda PARKER indicated that she suspected NELSON to be a homosexual. PARKER identified NELSON as being a white male approximately 25 years old, 5'9", 140 pounds with dish water blond hair and a small blond mustache. He was casually dressed and appeared quite a feminine [sic].
>
> During there [sic] conversation, PARKER stated that NELSON said that he does work at Max which is a gay bar located in Downtown Omaha and he further stated that he frequents gay bars.
>
> PARKER stated that NELSON continually offered various foods and drink to both PARKER and her mother. NELSON placed a very large bowl of strawberries on a table offering them to Brenda and her mother. They were also offered to drink some champagne.
>
> During the conversation, NELSON stated that he was self-employed but made a couple of references to "the boss" keeping the place well-stocked and that the boss let him stay there rent free. It is unknown who the boss is.

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The officer sent to investigate Nelson's digs quickly established that "the boss" was Larry King.

> On Wednesday, 25 May 88, Reporting Officer MICHAEL HOCH went to The TWIN TOWERS, 2900 Farnam Street, and spoke with the Owner/Operator of The TWIN TOWER complex. . . . [He] indicated that a party by the name of RUSTY NELSON, who is occupying Apt. #3-B (which was leased to LARRY KING), has since moved out of the apartment complex.

Nelson had suddenly vacated on May 14, nine days after Georgiu and her daughter filed their complaint.

In the same building, Larry King also paid the rent on a luxury penthouse. Officer Hoch reported:

> Since KING has rented the apartment [in August 1987], [the manager] believed that he has possibly put $50,000.00 into the apartment in such things as decorating, drapes, and furnishings. [He] went on to state that he had bought a couch from one of the furniture dealers in Omaha that would not fit in the elevator as it was being transported to KING'S apartment. And, as a result of this, a crane was rented for the amount of $1,200.00 to have the couch lifted to the apartment from the outside. [He] also stated that the apartment was very elegantly furnished; and the $50,000.00 outlay would not include (what he described as) original paintings, along with what is believed to be possibly a solid silver chair. [He] also stated . . . that he knows that KING drives at least five different vehicles: Three of the vehicles being Mercedes-Benzes, one being a Cadillac Alante, and the other being some type of sports car. . . .
>
> [He] also stated that he believes that KING owns properties in Washington, D.C. . . . .[He] went on to state that KING has a habit of throwing names around, and it is believed he is very influential in the Republican party. [He] also indicated that he does not understand how KING has as much money as he does to spend. KING does not actually live at the Penthouse apartment in The TWIN TOWERS, but uses the apartment for parties and occasionally stays at the apartment.
>
> [He] stated that he had talked to a realtor . . . who indicated that KING apparently attempted to purchase a residence approximately five years ago and, at that time, had

> trouble coming up with a down payment for the house. It seemed strange to [him] that in five years KING has come into as much money as he spends.

At a neighboring complex, the Orpheum Tower, Officer Hoch learned that tenant Larry King sublet an apartment to a young man who was a disc jockey at the Max bar. King had told the building manager that he was renting the apartment as a place to stay when he worked late, so that he didn't have to travel out to his suburban home.

Hoch asked the Orpheum manager

> if she knew any particulars or had heard any type of information about LARRY KING, as it seemed very strange that he would rent an apartment in the ORPHEUM TOWER and is presently renting an apartment at The TWIN TOWERS. [She] indicated that she did not know any specifics about LARRY KING; however she stated that she has heard rumors that he is a very heavy drug dealer, and that she has heard this from more than one individual. . . . [She] stated that she has also heard that LARRY KING is a homosexual and has a preference of young men or boys.

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The OPD dropped its probe of Rusty Nelson, his apparent pornography operation, and his "boss." But on June 28, 1988, Officer Carmean was dispatched to interview a different girl, whose terrible story pointed to the same clique.

She was fifteen-year-old Loretta Smith*, who lived with her mother and brother in Omaha. At the time Carmean talked to her, Loretta was hospitalized at Richard Young Hospital, where she had told a therapist, in the words of Carmean's report, about "incidents in which she has been photographed nude or partially nude as well as instances of devil worship."

Carmean wrote that Loretta was "rather articulate for a 15 year old and spoke and acted rather maturely for her years." Excerpts from Carmean's report provide the outline of her story:

SMITH initiated the conversation by indicating that approximately five or six years ago when she was nine years old she went to a party with some friends much older than her. There, she met a white male . . . who coaxed her into modeling for him. . . . [He] offered to take SMITH home if SMITH would pose for some pictures. . . . Initially, the unidentified white male took photographs of her with a polaroid camera, of her fully clothed, although finally, she agreed to pose for one completely nude photograph taken by this white male. . . .

SMITH then spoke of occasions when she went to the North Omaha Girls Club on Lake Street, with friends of hers whom she identified as NELLY and KIMBERLY WEBB. There, she discovered that they were also "modeling". . . . SMITH stated that those field trips consisted of the girls being taken to a photographic studio where pictures were taken of them either nude or partially clad. . . . SMITH also stated that she has not spoken to or knows the whereabouts of either NELLY or KIMBERLY WEBB, not having seen them for approximately three years. . . .

She stated that a number of adults, whom she referred to as leaders from the North Omaha Girls Club, both male and female, were engaged in the photography of nude children. She also indicated that a number of prominent individuals were involved, including doctors and lawyers although she indicated they used code names and that she could provide no real names for these individuals.

SMITH also indicated that the adult leaders who took these photographs used threats against her and others to get them to participate in these photographic sessions. She stated that she had been told on occasion that her entire family would be killed as well as her if she refused to participate in these activities.

Loretta told Officer Carmean that she "began participating in what she termed devil worship with other juveniles and adults. She stated that she was approximately 10½ or 11 years old when she started attending these rituals," which sometimes included nude photography. Those participating "were given something to drink which she stated, tasted like apple juice but which she thought contained some kind of a drug. . . . "

> SMITH indicated that NELLY and KIMBERLY WEBB, had also reported these activities to Police in the past but that nothing had been done. She stated that the WEBB girls had told the superintendent of Fort Calhoun Schools whom she identified as a Mr. FINCH, and stated that it had been reported to him first but the girls felt that since nothing was done that he must have been involved also.

In a report dated June 30, 1988, Carmean put down more of what he had learned from Loretta:

> During the course of Reporting Officer's interview with LORETTA ISABEL SMITH concerning child pornography activity, as well as devil worship, she mentioned the name of LARRY KING as being a participant and supporter in these activities. Asked how she knew this, SMITH stated that she is a friend of . . . the daughter of GARY WEST. (WEST is reportedly the manager for MAX'S, a predominantly homosexual bar located south of CENTRAL STATION at 1415 Jackson Street).
>
> SMITH stated that she has been to the WEST residence several times, and that GARY WEST is a homosexual, as well as an alcoholic. She stated that when he does become intoxicated, he talks about his certain activities with LARRY KING, and indicated that he is into the use of controlled substances (i.e. cocaine) for personal use, as well as for sale, and that he owes LARRY KING a lot of money for this. . . .
>
> With regard to Larry King, she stated that she knows that he supports devil worship activities. . . . She further indicated that KING owns a house on Wirt Street, the exact location of which she did not know, but that KING holds various drug and sex parties there.
>
> SMITH initially told Reporting Officer that she had been to the Wirt house on one occasion, in which she saw three or four teenage males engaged in oral copulation. . . . It became apparent, when SMITH began talking about KING and WEST with a lack of specificity, that she didn't wish to go into much detail with Reporting Officer, at this time. Reporting Officer told her to consider recalling as much information as possible, and that she and Reporting Officer would talk again at a later date.

On July 5, Loretta did telephone Officer Carmean and gave him the address and phone number of King's house on Wirt Street. Carmean drove by the house and called the number. The phone was answered "King Company." At the house, Carmean wrote in his log, he "observed on a gray awning . . . the name KING in black script lettering."

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During 1988, as Loretta Smith grew to trust the doctors, nurses, and other personnel at Richard Young Hospital, she revealed more detail about what she and the other children had been subjected to. Her case file is summarized in a report for the Legislature's Franklin committee (by Jerry Lowe, 1989), which gives the dates on which Loretta talked to hospital staff:

> Loretta . . . provided additional information of her previous involvement in cult activity which included the witnessing of homicides of several young children and which also included references to Larry King and others involved in the cult activities.
>
> August 19, 1988. The hospital notes indicated that Loretta was asked to give a chronological account of involvement in what is described as a devil worship cult and that Loretta agreed to do this. Loretta indicated that she didn't really know what was happening and that she became involved very gradually. She indicated that when she was approximately nine years old she was going to the Girl's Club in Omaha and that a guy named Ray would take her and four or five other girls at the Girl's Club on outings. . . . He took them to a building that according to Loretta looked abandoned and asked the girls if they wanted to go in which they all agreed to do. Loretta indicated they sat and talked for a while and then Ray provided a joint and all of the individuals got high. She indicated this activity continued for about three or four weeks and then Ray took them to a party.
>
> Loretta indicated that at the party there were about ten men all in their mid-thirties and that initially they sat around and talked with the girls about their problems. Loretta indi-

> cated that all the people got wasted and that the men at the party made them sleep around and that the girls did not have a choice of who they slept with. . . .

Loretta stayed away from the Girls Club after this for a few days, but

> then in order to get out of the house she did begin going to the parties again and they lasted for another six months. . . . [O]n one occasion she threatened to tell her mother that the men were having sex with her and that they knew she was only nine but the men indicated that they would kill anyone who told about the activities. . . .
>
> The men started taking the girls to what the men described as power meetings. Loretta advised she was ten years old. She indicated that candles and other weird stuff were at the power meetings. According to Loretta, one of the individuals on one occasion told the girls that the room was going to spin for a while and it did and she realized later that it was drugs that the men had given them.
>
> Loretta advised that about eight months later she was put through her first test. Her and the other girls were taken to a building in Omaha where . . . she was locked in a room with a little girl which she described as a Caucasian infant. At about midnight, Loretta indicated that the men came into the room, took the little girl away from her and told her that she could achieve power by killing something that she really loved. Loretta described that they then cut the little girl's head off, stuck it on the wall and made her sit in front of it. Loretta indicated later she had to take the head off the wall and that the men held her down while they cut the eyes out of the little girl's head. They then left Loretta and the girl in the room, locking the door. . . . [S]he was left in the locked room with the little girl for twenty-four hours and during this time she could hear another one of the girls screaming. . . . [S]he could hear the men whipping and beating the girl. . . . Shortly after this the men came into the room and told Loretta that she had passed the test and then drove her a couple blocks from her house and let her out. . . .
>
> Loretta indicated the next time that she saw the men she had gone to a friend's house who was having a party and

the men showed up. Loretta identified two of the men as Larry King and a Mr. Finch who Loretta indicated was a school principal. Additionally she identified parties as Ace, King Horse, Jerry Lucifer and Mike. . . .

After one such party, Loretta said, another girl called OPD and

reported that she was raped and tried to press charges. . . . [O]ther girls covered up the rape for the men. Loretta indicated that she again threatened to tell about the activities and the men said they would kill her or her mother. . . .

At [another] meeting Loretta indicated devil worshipping was practiced and that another small boy was sacrificed. Loretta and the other girls were in the other room and she could hear the little boy screaming. . . . She then indicated the child was fried and eaten by the girls. Loretta indicated she refused to take part in this so that the men beat her for two days.

At additional meetings Loretta indicated the men told her and the other girls that they must sacrifice for power and described three incidents where further sacrifices took place. The first a one-year old white female had her head taken off by a saw, the second a four-year old white male was hung on the wall and darts thrown at him and the third an Indian female, three or four years old, had several parts of her body cut off after which it was ground and poured on the girls and they also were made to drink the remains of the child. . . .

August 21, 1988. Loretta indicated the third, fourth and fifth sacrifices took place during the spring of 1985 when she was eleven and that the parties that were at these sacrifices were Mr. Finch, King Horses, and the big guy she referred to earlier. Between the sacrifices she indicated that the girls were tested to see if they would keep quiet and how much control that the men had over them. . . .

Loretta indicated that the men would try to scare the girls by having them watch as animals were mutilated and also the men would threaten them by saying that instead of killing them that they would just cut off parts of bodies and torture the girls and make them suffer.

Asked to provide details relative to the first sacrifice of the infant girl, Loretta indicated that at first she didn't cry

> and after this the men cut the eyes out of the girl. Loretta indicated that she freaked out, was screaming and hitting the walls. . . . [She said] the cult members were wearing what she described as clothes which had upside-down crosses on them and that the leader always wore a long black cape with gold rings shaped like a skeleton head. . . .
>
> Loretta . . . went into the Immanuel Hospital for the first time in November of 1985 and also was in Immanuel in January of 1986 and March of 1986. Then her mother put her in the court system so that she could ultimately get her into Uta Halee, [a school and residence for troubled girls].

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To the expert eye of Foster Care Review Board Executive Director Carol Stitt, when she received the reports from Loretta's caseworkers, the girl's testimony appeared highly credible. Stitt explained before the state Legislature's Executive Board, on December 19, 1988, "[O]ne of the things that you want to keep in mind, as horrifying as this is when you review it, this girl is very concrete about who was present at these homicides, what was happening, dates, she gave a lot of specific information and in working with children one of the ways you know this is not a global fantasy is the more details they give you."

The information given to hospital staff and to the Omaha police by Loretta Smith overlapped and corroborated what was already in the hands of authorities from the children from the Webb household, and from Margo Georgiu and her daughter. From three separate cases, involving pornography, child abuse, and ritual murder, children's testimony and other evidence converged on Larry King.

CHAPTER 4

COVER-UP PHASE I: THE POLICE

In July 1988, Omaha police officers in the Robbery and Sex Unit received an unexpected visit from their boss, Chief of Police Robert Wadman. According to the officers' own account, related by Nebraska Foster Care Review Board official Dennis Carlson in testimony to the Legislature's Executive Board, they took precautions to keep Wadman out of their work on Larry King.

Excerpts of Carlson's remarks, from the Executive Board minutes of December 19, 1988, show that the officers feared a police cover-up of King's activities, from within the department:

> [Officer Carmean] told me some things which I found to be somewhat startling. I asked if he was interested in information regarding Larry King and he said, yes we are, we're conducting what he called a supersensitive investigation of Larry King and he said this investigation was so supersensitive that they were not even using the steno pool in the Omaha Police Department.
>
> They were handwriting their police reports, and he also told me that Chief Wadman had come to their unit and directly asked if they were investigating Larry King. . . . Investigator Carmean told me, we lied to the Chief and we said, no, we are not investigating Larry King. OK, so that conversation took place on July 20th of 1988.
>
> After we were presented with that information we had some concerns as to what was going on in the Omaha Police Department. We were concerned about if we gave this infor-

> mation to the Omaha Police Department what would they do with it?

▪ ▪ ▪

The investigation of Loretta Smith's charges did not go far, in Wadman's department. Neither did the career of Officer Carmean.

On the afternoon of June 28, 1988, immediately after Carmean's interview with Loretta, his supervisor, Sgt. Ken Bovasso, spoke by telephone with Dr. Kay Shilling, Loretta's psychiatrist at the hospital. According to Bovasso's write-up, Shilling

> told this Reporting Officer that she has spoken with LORETTA SMITH since LORETTA'S discussion with Officer CARMEAN. . . . LORETTA told DR. SHILLING that she only gave Officer CARMEAN general information, . . . [but] that she had no problem talking with Officer CARMEAN. Reporting Officer told DR. SHILLING that sometime during the week of 04 July 1988 this Reporting Officer will assign Officer CARMEAN to revisit Loretta at the hospital in order to build up some rapport and possibly obtain more specific information.

Carmean never came back to interview Loretta Smith again.

As Loretta volunteered more horrific, detailed allegations during the summer, Richard Young Hospital and FCRB personnel were concerned about the lack of police interest. Dennis Carlson recalled, in his Executive Board testimony:

> Loretta was making more allegations against Larry King and others and these were allegations of the most serious nature. She was reporting that she had witnessed homicides. Investigator Carmean was contacted by myself on one, possibly two or three, occasions. . . . I'd tell him that this girl's making more allegations, that she's opening up, she's telling additional information, she's beginning to relate better to her case workers and social workers, would you please go out and re-interview this girl?. . . .
>
> After Investigator Carmean received the information from

> the Foster Care Review Board, the information that I hand delivered to him, he never went back to interview Loretta Smith. In one of my telephone conversations with Investigator Carmean, I remember telling him that this girl was now reporting homicides, and he said, yes, I need to get out there and re-interview this girl. . . .
>
> [O]ne of my concerns Senator is the conduct of the Omaha Police Department. I don't know what's going on up there, I'm not familiar with the players in the Omaha Police Department, but I know that I hand delivered material to an investigator. . . . Investigator Carmean and Investigator Hoch left my office and they seemed sincere, they seemed that they were going to investigate these allegations and later it was as if air had been let out of a balloon, that all of a sudden they had no interest in even re-interviewing a girl who was saying that she had witnessed homicides and I just don't understand it. . . .

FCRB Executive Director Carol Stitt testified:

> I would like to add something that was highly unusual in this case. Loretta's psychiatrist contacted the police in Omaha and asked them to come, Loretta's personal care worker, Ken Stoner, contacted the police, [Richard Young employee] Kirstin Hallberg contacted the police, as well as Adrienne Hart, who is Kirstin's supervisor. All those people had made contact and nothing was being done. . . .

Not long after after his interview with Loretta, Officer Carmean was transferred out of investigations altogether, into a section called Research and Planning. At the same Executive Board meeting, Senator Ernie Chambers recounted a phone conversation with Carmean:

> When I called [the sexual assault unit], they said he's no longer here and that's when they told me that he was with Research and Planning. . . . I finally . . . got him and I mentioned his enthusiasm at the outset, and that from what I had developed in terms of creditable information being given to me, I felt he'd been transferred because he was getting too close to something and his superiors did not want him to continue. So there was a silence, then he kind of

> chuckled, he said, well, no, uh, I wanted this transfer. I've known of Carmean for years and he's not the type of officer who'd want to be put into an office where he's the only one there, in fact that might have been the creation of the department. Didn't even have a secretary.

Carmean himself testified before the legislative Franklin committee in June 1989, that, although he had been pulled off the case, he thought Loretta's charges were "credible" and deserved follow-up.

Less than two weeks later, on July 5, 1989, Chief Wadman tried to get Carmean declared crazy. In a lengthy "Inter-Office Communication" to Omaha Public Safety Director Pitmon Fox-all (a cousin of Larry King!), Wadman announced that Carmean needed a mental health evaluation:

> I am requesting a supervisory referral for Officer Irl Carmean to see police psychologist Dr. Steven Sherrets. I am basing this request on the actions demonstrated by Officer Carmean that surfaced during the Larry King investigation. . . .
>
> Prior to Officer Carmean's assignment with Research and Planning, he was serving as an investigator with the Robbery and Sex Unit under the command of Lt. Guy Goodrich. While in that assignment, Officer Carmean was involved as an investigator and did participate in looking into matters involving allegations that Larry King was involved in some sexual improprieties with young people. The investigation never did come close to supporting the allegations sufficiently for a charge to be considered against Larry King.

One other Omaha policeman who was reported to have kept a file on Larry King, Officer Bill Skoleski, died of a heart attack.

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In August 1989, Chief Wadman dismissed out of hand the criminal, satanic horrors that Loretta Smith and other children had described to authorities. On Omaha radio station KKAR, the city's chief law enforcement officer chalked up concern

about these allegations to the fact that some Omahans have a "prurient interest of child abuse, of child sexual abuse, those kinds of things. . . . I think that the media attention to that element of things is inappropriate."

Regarding Loretta Smith, Wadman said, "The primary witness was . . . making statements that were very bizarre and were not founded in reality."

Wadman concluded his KKAR interview by stating that the OPD and other agencies had conducted a thorough investigation, but the allegations led to "a dead end."

▪ ▪ ▪

Robert Wadman has sworn under oath that he barely knew Larry King, that he "had very few social contacts with Larry King." That's not what King says. In April 22, 1989 interviews with King and Wadman, Frank Brown of TV-7, Omaha, questioned them about an incident in which Wadman intervened at King's request, to order the release of a suitcase seized in a drug raid.

> BROWN: King acknowledges he is a friend of Chief Wadman's. We asked King did he call the chief to get a suitcase released that had been seized in a drug investigation?
>
> BROWN: You had that friendship where, you could. . . .
>
> KING: Yes.
>
> BROWN: You could call the Chief of Police and get a piece of evidence released?
>
> KING: I felt that I could call anyone in this city.
>
> BROWN: What was that suitcase? I've always wondered what was in that suitcase and what was it about?
>
> KING: Um, it's really nothing. It was a relative of mine and he was staying at a hotel, and I guess they had a drug bust or something. . . .
>
> BROWN: We asked Chief Robert Wadman if Larry King had ever telephoned him to get a suitcase released from police custody.

WADMAN: Yes . . . I can't recall if it was this past year or the year before that he did call regarding a situation and that information was forwarded to the unit responsible for the request. . . .

BROWN: That did not compromise any investigation?

WADMAN: Absolutely not. And I'm very disappointed that this situation continues to be protractive but it was a situation that was routinely handled. I receive literally hundreds of those requests and this situation was handled exactly the same way as the rest.

Switching back to Larry King, Brown raised another question about a smooth ride he seemed to have gotten from the OPD:

BROWN: The Omaha Police had an investigation last summer into an alleged pornographic. . . .

KING: Uh, huh.

BROWN: And you were cleared?

KING: I didn't even know that they had one last summer. . . . [P]eople make up these things. People make up anything, you can hear anything about anyone. If you choose to believe it you will, if you choose not to, you don't. I choose not to listen to garbage and gossip.

King had indeed been cleared, with the blessing of Robert Wadman. The legislative Franklin committee's record of Wadman's own testimony to this effect dates from October 13, 1989. Besides Wadman, the speakers in this transcript are committee counsel John Stevens Berry and Robert Creager, and Wadman's attorney, Kent Whinnery.

BERRY: Are you aware whether or not there have been any ongoing investigations in Omaha regarding whether or not Mr. King has been involved with narcotics? . . .

WHINNERY: May I just ask a point of clarification? Are you talking about ongoing but not concluded or–

BERRY: Well, I suppose I could ask a series of questions. Have there been in the past? Have there been any continuing?

Have there been any ongoing at all? Do you know anything about Mr. King or has Mr. King been a subject of a narcotics investigation? That's an area I want the Chief to address, and I'm happy to have him address it.

WADMAN: I'm unaware of any of those.

CREAGER: The answer is no?

WADMAN: The answer is no, yeah.

BERRY: Let me ask the very same broad question about Mr. King and the relationship to child pornography or pornography of any kind.

WADMAN: We had a situation where we were advised that there was a possibility of child pornography involving—no, it came in as child pornography case. What happened is that there was a photographer who was taking photographs of young women, and in the course of that set of circumstances, a mother with her daughter called and filed a complaint with the police department, and the complaint involved a situation where her daughter was approached by the photographer to be photographed, and the photographer extended an invitation to this young woman's mother to come with her.

They went to the studio; photographs were taken; and in the course of that the mother became concerned over the photographs and some of the photographs that she observed at the photo studio and then filed a complaint of concern that this was a possible pornographic situation.

We investigated it, found the photographer to be, you know, legitimately involved in the photography business, legitimately involved in conducting the photographs, and getting signed releases and having a photography studio and so on.

The only involvement is that this individual had subleased his studio or apartment from Larry King, and that was the extent of our investigation into pornography-related activities involving Mr. King in any direct way.

This was the photographer, Rusty Nelson, described to Margo Georgiu by people who knew him as "a pervert," and proven by her to have lied about his professional experience and resume. The pictures in his studio were "frontal nudity"

shots of adolescent girls. Nelson described King not as his landlord, but as his "boss." The investigating officers had compiled and filed accounts from several people about the lavish spending by King on Nelson's and other apartments, about his comings and goings in Mercedes Benz cars, and other evidence of an unexplained leap in King's income, and about the common knowledge that King was involved with drug dealers and was a homosexual who "liked young boys." Wadman, who had approached his officers with such curiosity about any investigations of Larry King that they might pursue, swore under oath, that he knew nothing about any of that.

CHAPTER 5

JUST HOW BIG IS THIS COVER-UP?

The Nebraska Foster Care Review Board, which is not a law enforcement agency and is not equipped to investigate crimes, let alone prosecute them, in 1988 found itself by default the main recipient of reports of abuse from children and from case workers, which attested to the existence of an organized child exploitation ring in Nebraska, and stretching far beyond.

Expressing frustration and alarm that the Omaha Police had failed to investigate reports of child murders and other serious crimes, even after many urgent phone calls from personnel at Richard Young Hospital, FCRB Executive Director Carol Stitt on July 13, 1988 met with Nebraska's Republican governor, Kay Orr, to seek help. Governor Orr told her to "do whatever is necessary" to secure an investigation.

On July 20, Stitt wrote to Attorney General Robert Spire, to request that his office, the state's top prosecuting agency, enter the case. For the first time, somebody openly pulled together the testimony of Nelly Patterson Webb, Loretta Smith, and other children, whose reports of abuse all cited Larry King.

"Pursuant to the Nebraska Child Abuse Statutes, the State Foster Care Review Board is making a report of allegations of a child exploitation ring and respectfully requests an investigation," wrote Stitt. She noted that in December 1987, FCRB had reviewed the allegations about a child prostitution ring centered on the Webb family's foster home. Then:

> On 5/17/88, the Foster Care Review Board received a phone call from Kirsten Hallberg . . . who is a previous employee

> of Uta Halee Girls Village and currently works for Richard Young Psychiatric Hospital in Omaha. She was aware of Nelly and [her youngest sister] Kendra's reports to the Review Board. Ms. Hallberg told me about three Uta Halee girls, a 20-year old young man at Richard Young, and three youths at Boys Town who all reported inappropriate activities with Larry King of Omaha. She also reports that at a recent child exploitation conference in Kansas City a detective from Kansas City . . . asked her when the Nebraska authorities were going to do something about Larry King.
>
> On 7/20/88, Kirstin Hallberg reported a 15-year old girl at Richard Young who is talking about inappropriate activity with Larry King and also is alleging witnessing a murder of a young boy who said he was going to tell of the abuse he suffered.

Along with the letter, the Foster Care Review Board turned over its entire file on these cases to the attorney general. Spire assured the FCRB that he would do everything in his power to help, and assigned the case to one of his top assistants, Bill Howland.

As months dragged by with little apparent action by the attorney general, Stitt and Dennis Carlson demanded a meeting with Howland, which was held in his office on November 22, 1988. Stitt described the meeting to the Legislature's Executive Board, on December 19, 1988:

> When Dennis and I were in this meeting it became clear to me that if Mr. Howland had ever read the materials we delivered to him in July, it was a long time ago. He didn't know major players' names in the case. . . . Dennis did some rather tough questioning and it became clear to both of us that nothing had occurred. The file was just a mess. I grabbed the file from him. Reordered it. . . .
>
> Dennis and I both left that meeting, I mean, I can speak for myself, and I felt full of despair and I felt like all the optimism that we had had that something was going to happen, to not only help the kids who'd been abused, but to stop this from occurring to other kids, and many of the kids that I'm aware of were State wards, was not happening. Nothing was happening. . . . Now we see that we were just

being put off, "Yeah, we'll get out there," and "Yeah, we'll do this," and "Yeah, we're on top of it," but really none of the officials had organized their investigation.

Her fellow Executive Board member Burrell Williams added:

> I think we became really baffled and puzzled on what was going on when you get all this information in front of you and nothing had, [or] is being done about it.

Dennis Carlson was also puzzled:

> I . . . don't know what if anything either the Omaha Police Department or the Attorney General's office actually did. . . . If I were doing that investigation, the first thing I would have done with that information is contacted Loretta Smith who's making allegations that she had witnessed homicides, not a homicide, it's homicides. . . . I . . . talked to Loretta Smith's case worker at Richard Young Hospital on November 22 and she told me that the last person that interviewed Loretta was Officer Carmean and that took place on June 28, 1988.

On November 30, 1988, Stitt again attempted to contact the governor, to set up a still more urgent meeting, because of the failure of the attorney general's investigation to get off the ground. The governor's staff scheduled a meeting for the following week, but canceled the appointment the next day. The governor, according to her office, was "not willing" to meet, as Carlson recorded in his daily notes of December 1.

In the November 22, 1988 meeting, Howland once again claimed he would do everything he could, a claim undercut by the attitude of the governor. The Attorney General's Office put one investigator, Thomas Vlahoulis, on the case part time, but, as the Legislature's Franklin committee was to learn on June 22, 1989, he did next to nothing. In this transcript of his legislative testimony, Vlahoulis is questioned by committee counsel.

> COUNSEL: As I understand what you told Senator Chambers, the information in your notes, which was important, was placed in the reports that you generated, is that correct?

VLAHOULIS: Yes, it was.

COUNSEL: Now, the conclusion I draw, after reviewing that information, is that you really didn't do anything between July and late November, except to collect some extraneous pieces of information about Mr. King's business interests and perhaps about . . . his wife's citizenship status. That's my conclusion from reading the reports.

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On December 20, 1988, Attorney General Robert Spire was quoted in the *Lincoln Journal* saying that his office had "acted promptly and professionally" on all the "sensitive information" received on child abuse six months earlier. Yet the Nebraska State Patrol, the agency that would be called upon by the attorney general in such an investigation, conducted its very first investigative meeting on the case on December 19, 1988, the day Spire was boasting to the *Lincoln Journal* about his alacrity!

In the face of official inaction, Carol Stitt and the medical personnel responsible for treating Loretta Smith grew concerned about her safety. She had already been threatened, and the new charges she was making put her in even more danger.

Stitt turned to still another agency, the Douglas County (Omaha and surroundings) Attorney's Office, and requested a protective order for Loretta. When the Douglas County attorney filed the order, however, it said that Loretta was making bizarre statements, that she had been on the streets for two weeks, and that she was suicidal! Not only were these allegations untrue, but they could help ensure that Loretta be discredited in any future court appearance.

The order had an even graver implication, as Senator Chambers observed during Stitt's December 19, 1988 testimony to the Executive Board of the Legislature.

SENATOR CHAMBERS: Neither you nor Miss Hallberg said that the child is suicidal.

STITT: No.

SENATOR CHAMBERS: But if that's in the court record, in the petition, an official document and the child winds up

> deceased then and if the result of [sic] a suicide then everybody would have had prior notice that this child is suicidal, if you would, by that report, by that petition and the court order.

Chambers was also familiar with the person in the Douglas County Attorney's Office who filed the order, Liz Crnkovich.

> SENATOR CHAMBERS: Now this is some information that I have and maybe you don't, are you aware that Lynne [sic] Crnkovich has had information given to her by certain professionals about some of the things that these youngsters have been talking about and making allegations and she chose to do nothing. Were you aware of her involvement in that regard?
>
> STITT: Yes, I was made aware of that while we were trying to see what we could get done in Omaha. . . .

Vlahoulis, the part-time sleuth from the Attorney General's Office, later told Franklin committee investigators about another time Loretta ran afoul of Crnkovich. According to Vlahoulis' conversations with Crnkovich in January 1989, Father Val Peter of Boys Town "had been approached by Loretta Smith and . . . she complained to him that the F.B.I. and Crnkovich had intimidated her to such an extent while she was at Richard Young Hospital that she had not provided them with all the information that she knew."

At the December 19, 1988 Executive Board meeting, Senator Loran Schmit asked Carol Stitt what effect the gross mishandling of her case might have on Loretta Smith. Stitt answered, "I'd like to say if the State continues to handle the case the way they've handled it, everything that this perpetrator has told them is being reinforced. That he has the power, there's nothing they can do, nobody's going to help them, and that certainly has been what's happened so far."

CHAPTER 6

THE DESTRUCTION OF COMMONWEALTH SAVINGS, MODEL FOR NEBRASKA

Inaction by the authorities, a blind eye to children's pleas, failure to prosecute, a rush to cover up—all this was happening in the heartland state of Nebraska. To understand how this could be, requires a good look at state politics during the mid-1980s, especially the Robert Kerrey administration of 1983–1987.

Early in the decade, the signs went up, billboard-size with flashing neon lights, that Nebraska was now, more than ever, a "wide open state," to use the terminology of the organized crime-controlled political machines in various parts of the United States during the 1920s and 1930s. Mafia control in those days was so tight in some cities, that opposition newspaper editors were gunned down in broad daylight. A June 1991 article in the Minneapolis *Star-Tribune* recalled, about the history of Minnesota, "Alvin Karpis, onetime Public Enemy No. 1, once said, 'Every criminal of any importance in the 1930s made his home at one time or another in St. Paul. . . . If you were looking for a guy you hadn't seen in a few months, you usually thought of two places—prison or St. Paul. If he wasn't locked up in one, he was probably hanging out in the other.' " In order for the city to have this status, veteran St. Paul *Pioneer Press* reporter Nate Bomberg has said, "Everybody was in on the take. You can't have an underworld without an overworld. . . . You can't have the rackets unless you have

the mayor, the chief of the police, and the county attorney in your corner."

1983 was a banner year for Nebraska's building its credentials as a modern such safe haven for crimes and perversions. That was when the state seized Commonwealth Savings, forcing its owners, the Copple family, to ante up any and all company and personal assets to help redeem depositor losses. It was the first year of Bob Kerrey's term as governor of Nebraska.

The case haunts Kerrey to this day.

In 1990, as the price tag for cleaning up failed savings and loan institutions nationwide soared into the hundreds of billions of dollars, one of the loudest critics of the Bush administration's handling of the matter was freshman Senator Bob Kerrey, Democrat of Nebraska. An *Omaha World-Herald* headline captured the clashes: "Kerrey, Fitzwater Trade Allegations Over Handling of S&L Crisis." White House spokesman Marlin Fitzwater cautioned Kerrey that as many Democrats as Republicans were involved in the S&L fiasco, and then admonished him in personal terms. According to the July 16–22, 1990 Omaha *Metro Update*, Fitzwater "added that if Senator Kerrey is bent upon making S&L a campaign issue, it's one that could work against Kerrey. The White House apparently has some files on Commonwealth Savings and State Security Savings, but no details were given."

The mentioned institutions were two of Nebraska's largest industrial banks. They collapsed in 1983 and 1984, shortly after Kerrey's election as governor.

Kerrey knows about his vulnerability. Soon after the exchange with Fitzwater, the senator got himself interviewed by a friendly *World-Herald* reporter, to come clean about the events of 1983–84. Under the headline "Kerrey: My Errors in Insolvencies Will Not Diminish S&L Scrutiny," he admitted what he had fiercely denied at the time—that his key adviser on the Commonwealth and State Security crises was his close friend, business associate, and chief financial adviser, Bill Wright. "Regarded by some as one of the cleverest and most ambitious financial operators in the state," according to a bro-

chure from the Lincoln-based Concerned Citizens for Responsible Government, Wright was also a major shareholder and the president of State Security Savings. This relationship, Kerrey now said, may have led to "appearances of impropriety," but this all happened because "I was new to politics."

For informed Nebraskans, Kerrey's confession was a bombshell, as the *Metro Update* observed: "But what Kerrey—faced with the absolute imperative to get his own past behind him if he is to have any credible role in the Democratic pursuit of President Bush's handling of the national savings and loan scandals—told [*World-Herald* reporter] Kotok is breathtaking in implication. It is especially so for those whose depth of knowledge takes in the entire fabric of the Kerrey Administration: Commonwealth Savings Co., State Security Savings, Kerrey's own panoply of private business dealings, and, finally, the creation and uses of the Nebraska Investment Finance Authority."

According to information published in the *Metro Update* and other documentation, those implications are that Kerrey and Bill Wright used the powers of state government to: 1) loot State Security's depositors of at least $4 million and as much as $10 million, 2) deprive the depositors of Commonwealth of at least $40 million, 3) set up a new state agency, with the sole apparent purpose of giving Kerrey and his cronies millions of dollars in low interest loans, 4) cheat farmers out of $200 million in subsidized loans, and 5) peddle junk bonds to investors who thought they were getting high-grade state bonds.

The voluminous evidence of these activities can be found in a 1986 state Senate investigation, which I chaired, of the failures of State Security and an Omaha bank, the American Savings Company; in 1988 brochures of the Concerned Citizens for Responsible Government; in the Omaha *Metro Update* of July 16–22, 1990; in a set of three tightly documented reports submitted to the Nebraska Legislature in 1990 by a group of depositors from the failed Commonwealth bank, led by Reuben Worster of Lincoln and veterinarian Dr. Melvin Bahensky of Grand Island; and in a 1991 tort claim filed by myself as attorney and on behalf of Commonwealth depositors.

According to his own account, Bob Kerrey entered politics to make money. In September 1981, as he was contemplating a run for the Nebraska governorship, Kerrey lamented to businesswoman Dana Saylor Robinson, that in business, "You have to know someone or cater to this or that politician, to get anything. The only way you are going to be able to make any money is to be in politics."

The record shows that, with the advice of financial genius Bill Wright, Kerrey fulfilled his ambition at the expense of the citizens of Nebraska.

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Late one night in the last week of 1982, Democratic Governor-elect Kerrey and Bill Wright summoned Republican Paul Amen, the state banking director, to a meeting to ask him to stay on in the new administration. Anticipating the request, Amen brought with him "our highly confidential, secret, sensitive list of problem institutions," as he later told my legislative committee when we were looking into the State Security and American Savings failures.

High on the list were Commonwealth Savings, controlled by Lincoln businessman S.E. Copple and his son Marvin, and State Security, whose president and leading stockholder was none other than Bill Wright.

In 1986, testifying before my committee, Amen was asked if he hadn't felt a little strange showing the governor this list in the presence of Wright, whose own bank was on it. Amen replied, "No, Senator Harris, I didn't even think in terms of that. I thought in terms of the fact that Bill Wright was the Governor's principal adviser and the Governor had wanted him present at the particular meeting."

Wright was a prominent lawyer in Lincoln, a member of a wealthy, established family, and one of the rising stars in Nebraska politics during the 1970s. State Security, which he and associates acquired in 1978, in a highly leveraged buyout, had made many loans to businessman Bob Kerrey. Wright became the guiding force behind Kerrey's gubernatorial cam-

paign, headed his transition team, and served as the governor's personal counsel. His law firm, Wright, Rembolt, and Ludtke, soon became official adviser to the Nebraska State Banking Department.

On October 31, 1983, while Banking Commissioner Amen was on the East Coast negotiating for a purchaser to buy the troubled Commonwealth bank, Governor Kerrey suddenly issued a late-afternoon press release which said, "We are monitoring the activities of Commonwealth; we are looking at that institution with more interest than we are the other institutions which we monitor."

The next morning, panicked citizens mobbed the bank. State authorities shut its doors by the afternoon. According to a release from Concerned Citizens for Responsible Government, "In the *Lincoln Star* of November 1, [1983] Kerrey himself was quoted as saying that he was barred by law from publicly indicating how serious the Commonwealth situation might be. That is to prevent a public official from creating a run on a financial institution. Yet, by his own words on television and in the newspapers, Kerrey caused exactly that result."

Commonwealth could have filed for reorganization under the bankruptcy code, to protect its depositors in the wake of the run. But Kerrey forestalled that action by securing a legal opinion from his appointees at the State Banking Department's legal counsel—Bill Wright's law firm—that bankruptcy should not be allowed, but that the state should seize the bank. By statute, Commonwealth also should have had ten days to find new capital, before being seized. The bank had at least two offers—the one Amen was working on, and one from a local group of investors. S.E. Copple was willing to sell his controlling stock in the bank to this local group for $1, in return for an infusion of $8–10 million in capital, in order to save the bank. The bank, as Commissioner Amen later testified to the Legislature, would have been saved. Some $50 million of depositors' funds would have been preserved as well. But Kerrey's press release, the resulting run, and the governor's refusal to allow Commonwealth to be purchased after its seizure, preempted that possibility.

The failure of Commonwealth, the biggest collapse of a financial institution in the history of Nebraska, was a human tragedy of major proportions. Many of its depositors were elderly people, who had their life savings in Commonwealth. When it collapsed, some of them were left without even money to buy food. By 1991, eight years after the collapse, one-third of the depositors have died. Many of them died from heart attacks or strokes, within the first 90 days after their bank's doors were shut. Seven families with retarded children had put their life savings in the bank, to care for the children after the parents die; that money was all gone.

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Kerrey claimed to have great compassion for Commonwealth's depositors, but his actions spoke otherwise.

Throughout 1983, the State Banking Department pressured Commonwealth president S.E. Copple to put up over $8 million of his personal assets and those of his son Marvin, to secure unsecured loans that Commonwealth had taken from other banks. In one instance, a multi-million dollar property got pledged, to secure an approximately $750 thousand loan. These were debts to, among others, Bill Wright's State Security Savings and the National Bank of Commerce, owned by Kerrey's associate Jim Stuart. Now, after seizing Commonwealth, Kerrey's administration pressured the 88-year-old man to dispose of whatever personal assets he had left, including his residence, to "pay back depositors." The bulk of Copple's substantial assets, however, were no longer available to the depositors. They had already been taken by Kerrey's friends.

The Copple family was descended from some of the first pioneers in Nebraska. It had a tradition of fierce independence from the state's financial establishment, whence Kerrey received campaign funding. The Copples' bank had been a source of liquidity for farmers and small and medium-sized entrepreneurs. When Federal Reserve Chairman Paul Volcker doubled interest rates to nearly 20%, in the fall of 1979, many Nebraska banks, including Commonwealth, landed in trouble. But there

was a decision to attack the Copples, while sparing institutions tied to Kerrey.

The brouhaha over Commonwealth's collapse diverted attention from State Security Savings, which Amen testified had been in worse shape than Commonwealth. State Security escaped the kind of pressure applied to the Copples. Rather, Kerrey's permission for State Security to remain open until July 9, 1984 made possible its "milking and draining" by Bill Wright and other bank officers, in the words of our 1986 Senate investigation. (That investigative report was unanimously adopted by all members of the legislative committee by which it was prepared, Republicans and Democrats alike, including some of Governor Kerrey's previously staunchest supporters.)

Then, State Security was allowed to file bankruptcy, contrary to the standard set for Commonwealth by Wright's law firm via the State Banking Department. Wright's double standard was glaring. It was Wright, who took State Security into *federal* bankruptcy, which shielded it from possible attempts by local officials to investigate its affairs or to protect depositors. Yet Bill Wright's law firm, acting as official adviser to the Banking Department, had prohibited that same course from being followed by Commonwealth, by issuing its opinion that such a declaration of bankruptcy by Commonwealth would be illegal.

At the age of 88, S.E. Copple was stripped of everything he owned, sent to prison, and died a pauper, while Bill Wright quietly moved out of Nebraska, into a million-dollar mansion in Rancho Santa Fe, California.

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While he was closing down Commonwealth, Bob Kerrey made money on business deals arranged by the institution he allowed to remain open, State Security.

On April 5, 1983, the governor, Wright and others formed a partnership called American Investment Group. The chief purpose of AIG was to acquire a choice block of Lincoln real estate, the Shoppers Fair shopping center. This business opportunity resulted from a maneuver by State Security. Bill

Wright's bank had loaned businessmen Jerry Joyce and Robert Rentfro, the owners of Shoppers Fair, millions of dollars for other projects. It threatened to foreclose on all those loans, unless Joyce and Rentfro sold Shoppers Fair for a million dollars below its assessed value. When Joyce and Rentfro prepared to sue, State Security looked for another arrangement. Ultimately, Shoppers Fair was delivered to the Kerrey group, in return for State Security writing off $3 million of Joyce/Rentfro debts. State Security financed the purchase by AIG with a loan at 4% under the prime rate.

The $3 million write-off of Joyce/Rentfro loans and the new below-prime loan to enable AIG to acquire Shoppers Fair, relieved State Security's depositors of substantial funds.

Those depositors lost millions in other financial swindles, which reveal the brutality of the Kerrey group's actions, masterminded by Bill Wright. Wright and others gained control of State Security in 1978 by purchasing its stock, through a holding company they owned, with a very preferential loan from First National Bank of Lincoln (FirsTier Bank, after its 1984 merger with Omaha National Corporation); the loan required no personal guarantee and carried no personal obligation, meaning that if it went "bad" and the company folded, Wright and his partners had no obligation to repay. Ultimately, they did not repay it.

Having gained control of State Security, they sold its most valuable asset, a downtown Lincoln office building, to themselves (using a disguised corporate name) for one fourth of its actual value. Since the depositors really owned the equitable value of the building, this transaction alone robbed them of a small fortune. Adding insult to injury, Kerrey's friends then effectively sold the building back to the selfsame depositors, using a long-term lease. The new owners leased it to them at the actual value, four times higher than what they had just paid for the building!

On May 28, 1986, with the statute of limitation on prosecution for these activities about to expire, several members of the Legislature's investigative committee wrote to Banking Director James Barbee and Attorney General Robert Spire,

"We urge you to consult immediately with the appropriate law enforcement authorities to determine whether criminal prosecution is warranted."

Nothing was done. The disgust of Senators over such patent corruption shows up in the transcript of a subsequent hearing. Senator Higgins: "I am sick and tired of this pussyfooting around with these boys." Senator Schmit: " . . . the statute will have expired and the people that needed to be protected will have been protected, that is putting it very bluntly."

Senator Higgins, incidentally, was the Legislature's most stalwart Democrat and Kerrey supporter. As a member of the investigative committee, privy to details that showed just how sordid the affair was, even she had had enough.

The senators subpoenaed Spire and other Kerrey-appointed officials, who stated that it was their prerogative to prosecute or not, and they chose not to.

We called Kerrey himself as a witness, and instructed him to bring his personal financial statements. According to the *Metro Update,* "Kerrey said he resented the request for his bank records. He parried the request by saying that the committee was essentially saying, 'It is OK if your banker tells us everything they know about you.' Kerrey eventually did consent to appear before the committee. Highlights included his denial of improper influence by William F. Wright. Key decisions of the administration were based upon advice from the Department of Banking [whose counsel was Wright's law firm] and other official channels, Kerrey testified."

Kerrey's AIG deal was already a scandal when it transpired, in 1983. Talking about his business affairs to my legislative committee in 1986, the governor claimed that he had taken every politician's routine precautions: "I prepared and executed a business trust that naturally moved all the assets physically that I owned, all the business assets, away from even indirect control." But somehow this did not prevent Kerrey from personally signing the papers to set up AIG. If it was supposed to be a typical blind trust, to shield a public official from knowledge of how his assets are being managed, Governor Kerrey's trust had at least one eye open. *Metro Update* described it,

"Kerrey's blind trust: It was his sister, Jessie, and her husband, Dean Rasmussen, Kerrey's very active partner in Prairie Life, the restaurants and other business deals. How can you have a blind trust with a bunch of partners you see maybe every day? You maybe eat dinner with them. Or they come over from time to time?"

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In November 1983, Kerrey acted quickly to shield himself and his associates from investigation during the uproar over the collapse of Commonwealth. On November 5, 1983, news media reported what was an apparent leak from administration sources, that Republican Attorney General Paul Douglas, who normally would have handled the Commonwealth investigation, was involved in improper Commonwealth loans. Douglas was a long-standing friend of the Copples. With impeachment proceedings under way, Douglas resigned.

Kerrey replaced Douglas as attorney general with his own man, Robert Spire. (Today, Spire serves as U.S. Senator Kerrey's chief of staff.) To oversee the Commonwealth investigation, he named a new special assistant attorney general, David Domina, formerly a law clerk in Bill Wright's law firm!

On November 15, 1983, Kerrey fired Banking Director Paul Amen and replaced him with John Miller, whom he had appointed to the State Liquor Control Commission in June. Miller admitted he had no knowledge of the banking business, telling the press, according to the *Metro Update,* "I can't even balance my checkbook."

The Legislature's Banking, Commerce, and Insurance committee, then chaired by this writer, Senator John DeCamp, was prepared to investigate the Commonwealth collapse, which came under its purview. But Kerrey handpicked a special new committee for the job. In a November 21, 1983 letter to the governor, I protested Kerrey's actions: "Governor, it would be most unfair and unreasonable to expect your own people, Mr. Domina, Mr. Miller and yourself, for example, to investigate yourselves since you are the administration officials in charge

of the Banking Department and since the Attorney General's office is the attorney with the responsibility of providing the legal guidance to the Banking Department and to you."

The ostensible investigation by this made-to-order committee turned out as expected. A 1990 report to the Legislature by Reuben Worster of Lincoln and other Commonwealth depositors characterized its findings: "The conclusion of the Domina Report was filled with speculation and 'Who Dunits' and the final analysis determined that Kerrey was an innocent bystander, Amen and [his assistant in the Banking Department] Lake exercised poor judgment, and Douglas was guilty of a multitude of crimes surrounding the failure of the financial institution."

Although Commonwealth had been looted before its collapse, Worster's group charged that post-seizure actions planned by Kerrey were even more egregious. In their three-volume report, these Commonwealth depositors argued that Kerrey had tried to establish, through changes in law and personnel, the ability to devalue Commonwealth's assets by 50% and then sell them to individuals of his choice, with loans financed by a new, Kerrey-appointed agency, the Small Business Development Authority. Although this alleged scheme attributed to Kerrey bogged down in legislative resistance, Commonwealth assets did get inexplicably devalued by 54%, and did wind up in the hands of Stuart and other Kerrey-connected creditors, Worster's group has charged.

Commonwealth depositors got paid only $8.5 million by the state, against their $50 million in losses. There was no reason for them to have lost a nickel. The bank had assets, mainly in real estate, then valued at $50–60 million. The Commonwealth property at 40th & Old Cheney in Lincoln, for instance, would have been worth $35 million if properly developed, according to an estimate given in 1985 by state-appointed receiver John Queen, in front of depositors' representative Dr. Breiner and attorney John Robinson. At the fire sale after Kerrey's liquidators devalued Commonwealth's assets, choice properties, such as 40th & Old Cheney and the Commonwealth Building, went to Jim Stuart's National Bank of Commerce.

. . .

On another project to make millions from the creation of a new state body, the Kerrey clique evidently had more success. The Omaha *Metro Update* of July 16-22, 1990 summarized the case:

> In 1982, the fortunes of Prairie Life Center, [businessman] Kerrey's planned sports center in Lincoln, were at a low ebb. His managers were saying in published accounts in the Lincoln press that the project was dead. It would not fly, they said, because interest rates made it financially impossible. It was announced that subscribers to membership had their downpayments refunded.
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> But then it was 1983 and a miracle. Kerrey was in as governor, Wright was his trusted, closest financial adviser. Kerrey's announced highest governmental priority became the creation of NIFA [Nebraska Investment Finance Authority], the very body that could breathe new life into Prairie Life.
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> Three public agencies that had been lending money in the areas of agriculture, home building, and industry were to be consolidated into one, into NIFA, which was to be created as a new public authority.
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> And there was one additional area of lending; loans could now be made to commercial enterprises. Suddenly, Kerrey's enterprise, Prairie Life, which couldn't fly in 1982, could soar in 1983. Suddenly, it became economically feasible. The senator and his partners got a loan of $2.55 million, some 4 percentage points under the going rate. . . .

After the bill to set up NIFA passed, Kerrey appointed all nine members of its board, including Bill Wright. One of NIFA's very first loans was to Prairie Life. Four days after approval of this loan to Kerry's project, Lancaster County Republican Chairman Randy Moody wrote to Senator Vard Johnson, chairman of the Legislative Council Executive Board, about the obvious conflicts of interest. "This insider deal seems a slap in the face of the taxpayers and business community of the state of Nebraska," Moody wrote. "It's obvious the gover-

nor has taken advantage of his elected position to line his pockets and he, his sister and brother-in-law [partners in Prairie Life] are laughing all the while."

Metro Update reporter Bob Hoig also came to me with some questions about NIFA:

> This writer went to former Sen. John DeCamp, who spearheaded NIFA into existence in 1983 as head of the Banking Committee. What, the Omaha *Metro Update* asked DeCamp, has NIFA acomplished that it could not have accomplished as three separate agencies, even if the agencies had to be amended in some way, except to make the type of loan that went to Kerrey and his partners and that, of course, allowed Kerrey to appoint the original board?
>
> DeCamp said he could think of nothing. DeCamp is a Republican. He was once close to Kerrey but he said they are not close now. He knows NIFA as well as any legislator, past or present. And he can think of no reason for its existence other than to make a new class of loan and to allow Kerrey to appoint its board.

In 1986, NIFA marketed a $200 million bond issue, for the avowed purpose of funding low-interest loans to Nebraska's distressed farmers. Kerrey negotiated a deal with New York-based junk bond peddlers Drexel Burnham Lambert, for Executive Life Insurance Company of California to market the issue. (Executive Life failed in 1991 due to its Drexel-linked losses.) Drexel and associated firms earned their fat fees, the value of the bonds collapsed, and not one dollar out of the $200 million ever reached a Nebraska farmer! According to a federal law suit filed in April 1990 by holders of the devalued bonds, the main purpose of the financing was never to provide funds to farmers, but to provide "inexpensive funds to Executive Life for reinvestment . . . in junk bonds. . . . "

While the actions of Kerrey and his associates outraged legislators and tens of thousands of depositors who suffered, there was deafening silence from Nebraska's major press, the *Omaha World-Herald,* the *Lincoln Journal,* and the *Lincoln Star*. The *Metro Update* of July 16–22, 1990 gave some insight into why:

> John Gottschalk, an important *World-Herald* figure in the business sense since 1975 and publisher of the newspaper since last January, has invested through his daughters in Kerrey's ventures since Kerrey's earliest days in business in the early 1970s. The daughters, now ages 15 and 23, own a $50,000 share in the Prairie Life Center in Omaha.

As for the Lincoln *Journal-Star,* one of its three board members since 1981 has been Bill Wright.

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From covering up financial swindles, it was a short step to covering for prominent businessmen who were involved in organized drug peddling or for politicians and publishers with a weakness for young children. Reviewing the Commonwealth case and the Franklin Credit Union scandal side by side, it is striking how the casts of characters overlap. Key personnel in the Kerrey-appointed apparatus, who snowed the Commonwealth depositors, will intervene again as Franklin unfolds.

The state regulators in charge of the Commonwealth receivership were John Queen and Robert Kirchner. Deputy receiver under Queen was one Kent Johnson, Commonwealth's former comptroller and the state's star witness against S.E. Copple; Johnson was to be indicted in 1990, for stealing over one million dollars of Commonwealth depositors' funds, during the receivership. Queen and Kirchner will get a federal contract to analyze the Franklin Credit Union in 1989. On this new assignment, they will hire Johnson once again.

Kirk Naylor was special prosecutor for a grand jury probe of Attorney General Paul Douglas and his ties to Commonwealth; Douglas' resignation cleared the decks for Kerrey's men. Jerry Lowe was a Lincoln police officer, without prior training in financial investigations, assigned to go through the records of Commonwealth. As the first counsel and investigator, respectively, for the Legislature's Franklin committee, Naylor and Lowe will quit suddenly in 1989 in what some senators see as an attempt to torpedo the committee. Naylor will argue that

Carol Stitt of the Foster Care Review Board lied, in her reports of child abuse.

Richard G. Kopf was legal counsel for the special committee Kerrey set up on Commonwealth, bypassing the Legislature's own banking committee. Prior to this starring role, Kopf was a country attorney of no significance in a country town called Lexington, Nebraska. As a United States magistrate—Lincoln sources insist the appointment was a reward for the Commonwealth job—Kopf will issue, and seal, the order that closes Franklin's doors in 1988. An order from Kopf will get Larry King out of town at a critical moment in 1990. Kopf will preside over the federal grand jury that indicts victim-witness Alisha Owen later that year. And finally, surprise of surprises, on August 27, 1991, Kopf will vault ahead of a host of qualified attorneys to be in the lead position for appointment as a new federal judge.

CHAPTER 7

THE FRANKLIN COMMITTEE

On Friday, November 4, 1988, four days before George Bush was elected President of the United States, agents of the Federal Bureau of Investigation, the Internal Revenue Service, and the National Credit Union Administration (NCUA) swooped down on the north Omaha headquarters and branches of the Franklin Community Federal Credit Union and its affiliate, the Consumer Services Organization, and shut their doors.

It was a case of swindles on a vast scale.

At the time of the raid, the Franklin Credit Union listed $2 million in deposits, of which $1.2 million was in certificates of deposit. Yet within a week of the doors being padlocked, claims were filed for $15 million in CD's. Ultimately, close to $40 million was determined to be missing from this credit union that claimed to have a scant $2.6 million in total assets. The obligations were listed on a second, secret set of books.

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In Nebraska's unicameral Legislature, a handful of senators moved to begin a probe into what happened to the Franklin money. The two main initiators of this legislative investigation, the one that would persist when law enforcement balked, were Senator Ernie Chambers, Democrat of north Omaha, and Senator Loran Schmit, Republican of Bellwood.

Senator Chambers represented the district where the Franklin Credit Union was founded in 1968, by community activists, with the proclaimed goal of making credit available for busi-

nesses and individuals in the African-American community of north Omaha. (It was by qualifying as a "low income credit union," that Franklin could sell certificates of deposit to non-members, the means by which it swindled millions.) Larry King became its manager in 1970.

Chambers was in receipt of numerous complaints against King. People talked about his high spending ways, and about the teenaged boys who got in and out of limousines with King. During 1988, Chambers received some of the Foster Care Review Board reports, that abused children had named Larry King.

Senator Schmit, as a Republican, knew of suspicious behavior by King out of town. In early years, Larry King was a Democratic Party activist, and headed Black Democrats for McGovern in 1972, but after he shifted registration in 1981, King made his name in the GOP.

As Schmit's friend and personal attorney, I shared with him my own recollections about how I had noticed the two faces of Larry King, which I later summarized in writing: "I had personally been a delegate to the Republican National Convention in 1984 and 1988 and been a witness at the massive spending and luxury at the Larry King parties in both Dallas and New Orleans, and as chairman of the legislative Banking Committee had observed with a jaundiced eye the Franklin operation, which no information could be obtained on because it was a Federal Institution."

At these two conventions, I attended the two biggest parties ever sponsored by Larry King. It was the first of these that brought King to my attention.

The year was 1984. I was attending the Republican National Convention in Dallas, Texas, having been elected as a delegate pledged to support Ronald Reagan. Nebraska was seated in the front row in the convention hall. I had the first seat in the row. The feeling of excitement and power was awesome.

The man sitting next to me, Senator Rex Haberman of Imperial, Nebraska, informed me that the portly black man standing at the podium as the convention was set to begin, was

from Nebraska and was the fastest rising black star in the Republican Party.

"Who the blazes is he?" I asked, "And how come I haven't heard anything about him?"

"Larry King," Senator Haberman told me, "and you and I are attending his party tonight."

"I had planned on going to a good movie," I told Haberman.

"Can't," Haberman explained. "Not if you are going to be a good Republican. You are from Nebraska and this is a party being put on by a Nebraskan to honor another black Nebraskan, DuBois Gilliam, who is going to be getting one of the highest appointments any black person has ever gotten in government. You've got to be there."

So, we went. I drove Rex out to the party, which was being held at Southfork Ranch, famous as the setting for the TV show "Dallas."

It was the most impressive party I have ever witnessed. The attendance by top politicians was remarkable; names and faces you only hear or see on television were there in number. At the center of the excitement was Larry King. Draped over him like a blanket throughout the evening was a heavyset woman, who I learned was Maureen Reagan, the president's daughter.

From what I saw, this party had to have cost far more than the one or two hundred thousand dollars I have heard as an estimate. At a public meeting in 1990, I recalled my thinking at the time: "I got to wondering: Here's this little credit union, and here's Larry King, obviously in the highest reaches of the Republican Party. . . . And I just wondered, how does he do this supposedly on a salary of $16 thousand a year?"

Such conspicuous consumption as I had witnessed, earned Larry King the tag "flamboyant" in just about any mention of his name. The NCUA's civil suit against King, filed November 14, 1988 in the wake of the raid, put some price tags on his lifestyle. It itemized $4 million of King's personal expenditures, paid out of credit union funds during the previous thirteen months, including: $1 million in American Express bills, $148,000 to Old Market Limousine, $70,000 to Floral Con-

cepts, $61,000 to Mastercard, $39,000 to Citibank, $37,000 to himself, $27,000 to Omaha Jewelry, and so on.

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As the disclosures began to flow, on how King's $2 million dollar credit union had tens of millions of dollars in deposits unaccounted for, and on the secret second set of books, I suggested to Senator Schmit that he talk to some other legislators about investigating whether some state laws were violated.

Why was I concerned? Because, from my experience as chairman of the Banking, Commerce, and Insurance Committee of the Legislature, I knew that with all the regulatory controls existing for a federally insured institution, it was impossible for such a theft to occur without cooperation by higher up officials. Larry King could only have accomplished this massive theft with the help or cooperation of regulatory officials or politicians at the highest levels. That meant that institutions of government must have been compromised.

Senator Schmit had his own reasons for thinking that a legislative probe of the Franklin collapse was in order. He had heard from friends of his in the black community, that Larry King spent money like a drunken sailor, but was not making any loans in the community.

When I discussed a possible investigation with Schmit, I had no idea that anything other than theft, and the possible protection of illegal financial transactions, would be involved. As the investigation was launched, no one, except possibly Senator Ernie Chambers, knew where it might lead.

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On November 18, 1988 the Legislature passed Schmit's resolution in favor of an investigation. In front of special hearings of the Legislature's Executive Board, the strands of evidence against Larry King were finally pulled together, for the first time, before officials who would pay attention.

After the first session, on December 12, 1988, Senator

Chambers made a dramatic announcement about the probe. The investigation would go into not only financial wrongdoing, he said, but also the physical and sexual abuse of children by persons connected with Franklin. People holding official jobs might be affected, added Senator Schmit.

At the three and a half hour Executive Board hearing on December 19, 1988, Carol Stitt, Dennis Carlson, and Burrell Williams of the Foster Care Review Board summarized the abuse complaints centered around Franklin's top officer. They presented their files on the Webb foster home and on Loretta Smith.

> CARLSON: The nature of these allegations are something that is going to shock the Committee. They deal with cult activities, they deal with sacrifices of small children, they deal with sexual abuse, and there's a correlation between these two different reports. We have, the Boys' Town report . . . prepared by a worker from Boys' Town named Julie Walters, . . . (which) contains the allegations of the children that were in the Webb foster home, Nelly primarily. Years later, well, two years later, we have Loretta Smith in Richard Young Hospital who's making allegations against Larry King and as far as we know there is no relationship between Nelly and Loretta Smith. . . . Both reports talk about the Omaha Girls Club, both reports mention a specific individual who is the superintendent of schools. . . .
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> SENATOR REMMERS: [T]he question that came into mind, it's been in my mind since you've been testifying and I think you've answered part of it just now, is you're talking about about these abuses from children from Boys' Town and Girls' Club and so forth, now is there a common thread that goes over here to the Credit Union deal that we are investigating? In other words to the Franklin Credit Union? Is there a common thread there that kind of leads to that?
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> CAROL STITT: Well, the common thread is Larry King.
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> SENATOR REMMERS: Yes, that's what I mean. It all goes back to him? OK.
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> CAROL STITT: Yes, he seems to be more the organizer, or the high-class pimp, I mean if that helps fit this together. . . .

Stitt also clarified what she had written in her June 1988 letter to Attorney General Spire, about a Kansas City connection of Larry King. She testified that she had cross-checked with the Kansas City detective, who reportedly inquired of Kirstin Hallberg about when Nebraska was going to crack down on King. The officer, said Stitt, "confirmed that Larry King had been there, had contributed money to a group home and when he left, three boys came forward and said that they had been abused by him while he was there."

The Executive Board also received from the FCRB the handwritten report by Julie Walters, on her interview with the teenaged victims during 1986. In the December 21, 1988 *Omaha World-Herald*, reporter James Allen Flanery recounted a telephone interview with Walters at her home in another state, in which she told him how their testimony had seemed at first "too bizarre to be true." But the more experience she gained with troubled children, Walters added, "working in probation, I'm more sure than ever that there is more truth than not in their accounts. The conclusion I reached was the kids I spoke with were not lying."

What the senators heard at the closed December 19, 1988 meeting shook them to the bone. "The information brought tears to my eyes," Schmit said, according to the *Lincoln Journal*. "I do not cry easily and I was not the only person that was moved." Chambers echoed the witnesses' outrage about delays: "With this type of information it is inexcusable that action had not been taken of an investigative nature. People were not contacted that should have been. Leads were not followed up that should have been followed up. My feeling is that the whole thing is being sat upon and nothing was done."

The question of a cover-up of Franklin-linked crimes came up at the outset, in this way. Omaha Police Chief Wadman and state Attorney General Spire offered a lame protest. "Every step that should have been taken was taken," Wadman told the *Journal*. Spire said, "We did receive some sensitive information in July. My office acted promptly and professionally and nothing was sat on. I am confident that law enforcement—both federal and state—is doing its job in the situation. . . . "

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The Legislature's Franklin committee hired its first investigator, former Lincoln policeman Jerry Lowe, in February 1989. Attorney Kirk Naylor came on as Special Counsel. On February 15, Lowe sent a memo to the committee on the results of his first comprehensive evaluation of the case, including its handling by law enforcement. Lowe wrote:

> This matter is indeed a complex and complicated one, commencing with the closing of the Franklin Credit Union . . . and mushrooming into a situation where additional allegations (other than the financial improprieties) have arisen, including influence peddling, child abuse and neglect, child sexual abuse, pornography, substance abuse, homicide, and inaction and possibly malfeasance on the part of law enforcement agencies, public agencies, and public officials for events dating several years back. More importantly, there seems to be a growing public perception that many of the affected agencies and/or officials are participating in a cover-up. . . . The task which the Committee has undertaken will not be an easy one. . . .
>
> The allegations regarding the exploitation of children are indeed disturbing. What appears to be documented cases of child abuse and sexual abuse dating back several years with no enforcement action being taken by the appropriate agencies is on its face, mind boggling.

In this and other early reports, Lowe made clear that every aspect of the Franklin case was politically hot. Larry King had become wealthy and influential thanks to quite a number of "big people," he commented. Moreover, Lowe reported, there were indications that King was involved in guns and money transfers into Nicaragua, of involvement by the CIA, and possibly "a White House connection." There appeared to be "some type of connection between the money missing [from Franklin], the crisis in the Savings and Loans, and the funneling of money to Haiti and Nicaragua."

Lowe wrote that there was evidence Omaha Police Chief

Robert Wadman had stayed at Larry King's residence in Washington, D.C.

Lowe retraced the leads contained in the documents assembled by the FCRB. In March, he interviewed Loretta Smith three times. In April, he talked with Cornelia (Nelly) Patterson, who had taken back her original name after she escaped from custody of the Webbs.

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With Lowe's investigative reports in hand, the Franklin committee convened hearings. When some state officials were called before them, the senators met with a stone wall.

Testifying on June 22, 1989, Attorney General Spire appeared still unchastened. Just as his office had dallied in the face of Carol Stitt's plea for action on complaints against Larry King the year before, Spire now said about Franklin-linked child abuse, that "based on conclusions and reports of the FBI, the Omaha Police, and the Nebraska State Patrol, all three of those have concluded that the reports do not have substance. . . ."

Someone was working at cross-purposes outside the hearing room, as well.

While the Legislature's Franklin committee was getting started at the end of 1988, the NCUA selected a firm called Financial Advisory Group, of Council Bluffs, Iowa, to make its own determination about what had happened to Franklin's missing millions. FAG was a partnership formed by John Queen and Robert Kirchner, whose earlier appointments included the one they got from Governor Kerrey—state regulators to oversee the liquidation of the Commonwealth Savings and Loan. In their 1989–1990 audit of Franklin Credit Union, Queen and Kirchner would conclude that Larry King spent nearly all of it on flowers, limousines, gold watches, and his generally extravagant lifestyle.

Even as he proceeded with the audit of Franklin, Queen was serving during 1990 as deputy receiver for Commonwealth, overseeing the liquidation of the bank's remaining assets and

the disbursement of the proceeds. On August 14, his chief assistant in the receivership, Kent Johnson, was arrested by the FBI for stealing over a million dollars in Commonwealth funds. Although Queen's co-signature was on every check Johnson wrote to steal the money, Queen claimed that his name had been forged. His career, in any case, was tightly intertwined with Johnson's. Johnson worked for him in the Commonwealth receivership, on the Franklin audit, and at an Omaha corporation he owned, Phoenix Sign Corp. This was a venture Queen launched by buying up the assets of Globe Neon, a bankrupt firm. One of Queen's fellow holders of a $50,000 share of Globe Neon before it folded, was none other than Larry King!

Queen and Kirchner enjoyed the sympathy of investigator Jerry Lowe, who wrote in his February 15, 1989 case summary for the Franklin committee:

> A private consulting firm headed by Omaha residents John Queen and Bob Kirchner, both formerly associated with the receiver for Commonwealth Savings in Lincoln, Nebraska, was retained by the National Credit Union Association (NCUA), in early 1989 and given the responsibility to trace all the funds flowing into and out of the Franklin Credit Union. . . . I am familiar with both Mr. Queen and Mr. Kirchner due to my involvement as a Lincoln Police Department investigator in the Commonwealth matter. . . . I can personally attest to the thoroughness and capabilities of Mr. Queen and Mr. Kirchner and the people assisting them and believe an association with them would save us an enormous amount of time in following the money.

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I have been Senator Loran Schmit's personal attorney for a number of years. When we were both senators, we frequently worked together on major issues. At other times, such as when we disagreed on the issue of telephone deregulation, we led opposite sides, and fought each other tooth and nail.

During the early months of the legislative investigation of Franklin, I personally had serious doubts as to the validity of

what was being alleged. I provided a minimum of legal advice to Senator Schmit during this period, but he did insist that I be available to provide him such advice.

Schmit had the experience of a previous investigation, involving drug-related matters and the State Patrol, which ended up with him and other senators, including myself, being sued by some of the individuals investigated. He wanted to make sure that he made no error that would cause any legal liability for him. Even though we had won that earlier suit against us, Senator Schmit wanted to exercise all caution, to protect himself from lawsuits. Therefore, like many other state and national politicians, he quite properly had private legal counsel—me.

In the spring of 1989, after the Franklin committee had been conducting investigations for some time, Senator Schmit sought my legal advice. He wanted to know the legal liability involved, if he supported a planned report of the committee, which was to suggest that there was child abuse committed by prominent individuals—not to be named—which had not been properly investigated by agencies of government.

I asked for no names and he provided no names of the individuals he was talking about. In point of fact, there were enough rumors floating in the legislative corridors and on the streets of Omaha, that at least a dozen prominent persons could have been the subject of these accusations.

I gave him the same advice then, that I would give now: "Accusations of child abuse are the worst accusations you can make against an individual. That is because, no matter what the truth of the matter, once the accusation is made, it will never be able to be rubbed completely off, even if the individual accused is as innocent and pure as can be. Therefore, before you sign your name to anything that suggests that there is serious child abuse or before you suggest that an agency of government has failed in its duty to find or investigate child abuse, make sure you have the smoking gun that establishes that is what actually occurred. Not just for your legal protection, but because that is the right thing to do. To falsely accuse of child abuse is a terrible thing. To cover up child abuse, is worse than falsely accusing."

I had my own personal experience of a false accusation of child abuse, which still burns in my soul. It was also a hideous example of the use of political office to intimidate, silence or destroy political enemies.

The year was 1984, early January. I had announced my intention to run for the United States Senate. As chairman of the Legislature's Banking Committee, I was actively seeking to investigate the collapse of Commonwealth Savings, which had just occurred. In an Associated Press listing of the ten most powerful people in Nebraska, as ranked by media editors and publishers, I was number 5, behind the governor, U.S. Senator J.J. Exon, *Omaha World-Herald* publisher Harold Andersen, and University of Nebraska President Ronald Roskens. Polls showed me as the leading candidate for the Republican senatorial nomination.

Then, I received a message from Republican Party leaders. It was simple: "GOP strategists at the highest levels believe this is the year the Republicans can beat J.J. Exon. Opinion poll analysis shows that such a victory can only come, if the candidate is a woman and has no political 'baggage.' (Remember, 1984 was the year of Democrat Geraldine Ferraro's candidacy for U.S. Vice President, the 'Year of the Woman' in politics.) Republican leaders are fearful that you, John DeCamp, will be able to win the primary, but because of 'baggage' and controversiality, you will not beat Exon in November. Therefore, Republican leaders ask you to withdraw from the primary. If you do not drop out voluntarily, you will have to be stopped some other way. And stopped you will be, because this race means so much to Republican leadership, at the highest levels in Washington."

I did not listen. I continued to campaign for the Senate seat.

Shortly thereafter, a tenant in one of my apartments, who was delinquent on her rent, lodged an anonymous complaint to the Nebraska Department of Social Services. She charged that I and my wife had "abused" my young daughter when she was five years old. A picture in a family photo album, showing my daughter in a pose like the Coppertone baby ads, was the basis for the complaint.

Two investigations conducted immediately, one by the DSS and one by the Lincoln Police, found there was no child abuse and so reported.

But a County Attorney, Mike Heavican, took matters into his own hands. Heavican was on the Republican search committee for a senatorial candidate, which ultimately picked a woman with no "baggage," and she lost to Exon. He also was someone whose name had come up as my Senate Banking Committee attempted to start probing the Commonwealth and State Security matters, as someone who may have granted illegal tax favors to involved parties.

Heavican filed a petition, alleging that I and my wife had abused our daughter in the way we were educating and raising her. It was a civil, not a criminal, filing, but I am sure it was designed to gain statewide publicity.

Heavican's action also exemplified how a public position can be abused. It comes as a shock to most Americans, that the lowliest county attorney has absolute immunity when he files complaints or charges against somebody, even if he does so knowing them to be false. His automatic immunity is supposed to protect the prosecutor, as an institution of government, from being deterred from effective action by the specter of future lawsuits. The abuse of this institutional privilege can be terribly destructive.

Months of investigation resulted in a legal opinion from Judge W.W. Nuernberger, that there was *no child abuse*. Nuernberger concluded that if Mr. and Mrs. John DeCamp were guilty of child abuse, then so were a lot of families and so was the late President Kennedy, and perhaps every family in Nebraska would have to destroy its photo albums, if I were considered guilty of anything.

While the investigation was under way, media coverage continued to smear my name with the charges. I maintained that the phantom child abuse was concocted by Heavican, using the County Attorney's office, for the political purposes of knocking me out of the Senate race and stopping my Commonwealth/State Security investigation. Six years after these horrible events, my suspicions were confirmed.

On March 17, 1990, the *Kansas City Star* reported on the DeCamp child abuse allegation:

> . . . Roland Luedtke, a former lieutenant governor and the mayor of Lincoln from 1983 to 1987, launched his own review of the charges. "The report that came back to me was that [DeCamp] was pure as the driven snow," Luedtke said, but, he added, whoever may have had it in their mind to get rid of DeCamp "accomplished their purpose."

My 1984 ordeal came to mind in the spring of 1989, as I insisted to Senator Schmit that he exercise caution in the Franklin case.

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Senator Schmit offered an amendment to the committee report, written by himself, which stated, in essence, that at this point in the investigation, the legislative committee did not have the smoking gun that would establish the truth of any of the child abuse allegations or the failure of institutions of government.

In July 1989, a controversy broke out on the Franklin committee, over Schmit's amendment and the course of the investigation. Some members maintained that Senator Schmit was not doing enough to follow up the child abuse. Schmit rejoined that the information gathered thus far by Lowe, while useful, was mostly second-hand, and that the committee should follow the advice he had been given by a friend in law enforcement: "Follow the money trail." There is almost no important crime that can be committed, said Schmit, echoing his friend's advice, without spending money, and spending money leaves a paper trail. It should be possible to move from hearsay to court-admissable evidence such as checks, credit card receipts, and flight manifests.

Senator Chambers and Senator McFarland departed from the committee. Investigator Lowe and Counsel Naylor resigned.

Schmit and the remaining four other members of the Franklin committee—three farmers, a plumber and a grandmother, as

Schmit described them—hired private investigator Gary Caradori, a former state patrolman, to replace Lowe in August.

In a review of his work for the committee, Caradori recalled his first impressions:

> From the onset it was apparent that I was up against a barrier regarding mistrust of the Franklin Legislative Committee. I was told repeatedly that people were afraid to divulge any information, not only because of retribution of the alleged perpetrators, but also because they feared they would be publicly discredited by the *Omaha World-Herald*. People were also becoming discouraged by the lack of progress made thus far on the investigation and they translated this to mean "cover up."
>
> Initially, the reports which Mr. Lowe had generated were reviewed in detail. It was evident that while there were a large amount of reports generated, that very little of substance had been gained by him regarding firsthand information. It was then decided that, while secondhand information had been valuable in that it presented an idea of the possible scope of abuse going on, that it was more important to locate individuals who had actually been abused and participated in the various activities that comprise this case.

CHAPTER 8

"SOMEBODY HAS TO TELL THE STORY"

Caradori did find victims who would talk. Four of them allowed him to videotape their stories, in nearly 30 hours of sessions during late 1989 and early 1990. These interviews contained detailed allegations of sexual abuse, drug usage, pornography and other crimes by prominent Omaha citizens. Implicated, among others, were individuals already named by Nelly and Kimberly Webb, Brenda Parker, and Loretta Smith, as abusers or pornographers: Rusty Nelson, Deward Finch, Larry King.

What these victim-witnesses related became the central matter of the Franklin case, but nobody except for a few law enforcement personnel, state senators, and grand jury members has viewed the Caradori tapes. Snippets were aired on television in Omaha. With their contents largely unpublicized, the tapes became a target of speculation and denunciation, rumor and doubt.

The interviews are reported here for the first time in considerable detail. The excerpts that follow are from Caradori's written precis of the interviews, which include his notes on discrepancies in the testimony, corroborative details, and ideas for follow-up investigation.

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On October 30, 1989, Gary Caradori and his assistant Karen Ormiston went to the Women's Reformatory in York, Nebraska, to interview 21-year-old Alisha Owen, who was incarcerated there on a bad-check conviction. Caradori had had

Owen's name on file for some months, as a potential lead. He noted in his daily report for October 30:

> Ms. Owens [sic] was informed of the purpose of our visit and was asked for her cooperation in the matter. Ms. Owens indicated, after a three-hour interview, that she had been heavily involved with various individuals in Omaha, including former members of the Franklin Credit Union. She indicated that she was also involved with other minors involved in pornography and homosexual acts involving various people in Omaha. Several of the individuals she mentioned were Alan Baer, Harold Andersen, and also former Police Chief Robert Wadman, who had participated in many parties. It should be noted that Alisha also indicated that Mr. Wadman is a pedophile.

Contrary to impressions that the *Omaha World-Herald* tried to convey, Alisha Owen not only did not seek out Caradori, but she told him only a fraction of the story at that first meeting. As she later described to the legislative Franklin committee, she was extremely reluctant to get involved at all. After Caradori left, she contacted the prison psychiatrist, who directed her to Superintendent Lawrence Wayne. He advised her to tell the truth and to cooperate with the Franklin committee.

Caradori's daily notes for November 4, 1989 record what happened next:

> Upon arriving from out-of-state on the above date, this writer received word that Alisha Owens had called this writer in an attempt to reach me regarding a meeting that I had conducted with her previously. Upon receiving this information, arrangements were made to speak with Alisha by telephone.
>
> . . .
>
> Alisha went on to state that she did not relate to me all of her experiences during the first time that we had met because she was "unsure" of this writer. She stated that she now wanted to come forward with the information that she had previously withheld. Specifically, she indicated that she was one of the minors involved in flights to other states, and she knew of other minors who were on these flights also.

On November 7, Caradori and Ormiston proceeded to York prison and took a sworn video statement from Alisha. The taping lasted from 11:38 a.m. until 10:00 p.m. In addition to the video record, Caradori made an annotated transcript, which is excerpted here.

Alisha Owens [sic]

After pursuing many leads, on October 30, 1989, this writer contacted Alisha Owens at the Women's Reformatory in York Nebraska. I spoke with Alisha for approximately three hours, during which time she indicated that she had been heavily involved in pornographic and sexual activity with various individuals in Omaha, including former personnel of the Franklin Credit Union. During this discussion with Ms. Owens she initially indicated that homosexual activities also occurred involving Alan Baer, Harold Anderson [sic] and Robert Wadman.

It should be noted that Ms. Owens remitted this information without being directly questioned about these specific individuals. . . . Following is the information gained from Alisha during the videotaped statement [of Nov.7].

During the course of the statement, Alisha stated that she first became involved with Larry King in August of 1983. Alisha was 14 years old at this time. She indicated that she met Larry King through some boys from Boys' Town, among them Mark Powers*. Mark had invited her to a party that next Friday night.

This first party was held in August of 1983 at a Twin Towers penthouse. Alisha arrived with Troy Boner and Mark Powers at approximately 10:00 p.m. in a car that Troy was driving. Present when they arrived at the party were Larry King, Bob Wadman, Alan Baer, Harold Anderson, and other adults that Alisha did not identify at this time. . . . Alisha estimated that there were approximately six adults and 20 minors. Mark Powers had told Alisha prior to going to the party that there would be marijuana, alcohol, and so much cocaine available at this party that "she would think it's snowing." . . . Alisha stated that the party was held at Alfie Allen's apartment in this building. . . .

There was a "professionally made" pornographic tape showing portraying two males, approximately age 17, engaging in homosexual acts.

Alisha observed Larry King and Larry (Last name unknown [Lnuk], black youth) going into one of the bedrooms. She observed later when the black youth emerged from the bedroom that he was tucking in his shirt and fastening his pants. Alisha also observed Alfie Allen going in and out of the bedroom numerous times. She observed a young boy approximately 14 years old sitting on Harold Anderson's lap. She then observed this boy and Harold Anderson going into one of the bedrooms.

Alisha observed Alan Baer using "two lines" of cocaine and smoking marijuana. . . .

A young boy was sitting on Harold Anderson's lap with his pants undone. He was stroking the child's penis. The name of the child is unknown. . . .

A third party occurred on the 21st or 22nd of September, 1983, at the same Twin Towers apartment. Alisha had turned 15 on September 18th. Present at this party were Troy Boner, Alan Baer, Robert Wadman, Mark Powers, Larry King, Larry (Lnuk), Danny King, and Harold Anderson.

Harold Anderson was "with" Danny King.

On the above evening, Robert Wadman told Alisha that she was pretty and asked her if she was wearing anything underneath her clothing. He asked her if she was wearing a bra. Sometime around 10:00 to 12:00 p.m., she was sitting on his lap. He indicated to Alisha that he knew she wasn't a virgin and he then felt her breasts. He told her that she had nice breasts. He felt her genitals and unzipped the zipper to the jumpsuit she was wearing. She asked him to stop and he grabbed her wrist very tightly and twisted her wrist.

He then removed her clothing and asked her if she knew what fellatio was. He said that he would show her what it was. He then instructed her to perform oral sex. Robert Wadman's pants and underwear were down. He pinched her on the breasts. She was kneeling on a cushion on the floor and he was stroking her hair and her breasts, while she was performing oral sex, and he was also grabbing her head and forcing her to perform oral sex on him. . . . After this sexual

activity, she began to cry and went to the bathroom where she vomited.

Wadman then told her that he would buy her a new dress. . . . While at the French Cafe, Wadman gave her this dress and said that he wanted to show her the wine cellar. . . . She removed her clothing and put on the dress. He said that she would look better without the dress so she took off the dress and he removed her panties and sat her on top of a table and spread her legs. He then began touching her and she was crying because she was afraid that he would rape her. He masturbated and ejaculated on her. When he ejaculated, she physically drew back which made Wadman very angry. . . .

She stated that during parties sexual encounters would occur between adult males and minor males. Usually present at these "parties" were Larry King, Robert Wadman, Gene Mahoney, Alan Baer, Peter Citron, Harold Anderson, and the superintendent of a school. . . .

She told me that a photograph was taken of her at a later party while she was tied up. It is probable that the photograph was taken by Rusty Nelson. She describes Rusty Nelson as having blond hair, average build, approximately 27 years old, and that he has acne scars on his face. . . . Reference group sex, photos were taken of the group sex encounters by Larry King and the photographer, Rusty Nelson. She mentions that her hands were handcuffed and her feet were tied up. . . .

She said that Alan Baer "cruises" the Old Market area for young boys, then takes them back to his office where he has them run naked on a treadmill while he watches them. This has been corroborated by Troy Boner who did perform this activity for Alan Baer. . . .

She states that she witnessed a young boy sitting on Bob Wadman's lap at a party and that he had his hands between the boy's legs. . . .

She also discussed the activities of Harold Anderson. She said that he likes young boys and that his "regular" boy is named Jeremy (Last name unknown) and that he was approximately 14 years old when she witnessed them together. She said that Harold Anderson gives money to boys and that she has seen young boys performing oral sex on

him. She stated that she has witnessed Danny King performing oral sex on him. . . .

I asked her to elaborate on the superintendent she mentioned as attending the "parties." She said that he lives approximately 40 miles from Omaha, is gay, older, balding, has bad teeth, and stands approximately 6'. She stated that this individual had sex with Troy Boner at the Twin Towers apartment and that he gave money to Troy for this. . . .

Corroboration: You will later see that another witness, Danny King, identifies Deward Finch, former superintendent of the Fort Calhoun High School as an individual who he had sex with on many occasions. He also fits the description as related by Alisha.

Other information from Alisha was that Troy Boner and Danny King were taken to Council Bluffs by adult males for sexual purposes.

Corroboration: Troy Boner and Danny King related these events in detail in their respective videotaped statements. . . .

Alisha also describes a forced sexual encounter which occurred at the French Cafe in August of 1985. Present were five boys from Boys Town, Tom McKinney [sic], and Judge Theodore Carlson, among others. Larry (Lnuk) told her that "someone is waiting downstairs and you'd better be good." She performed oral sex on Judge Carlson, and the encounter lasted approximately 20 minutes. . . .

It should be mentioned at this time that the individual identified as Larry (Lnuk) is known as Larry King's "henchman". I have been unable to determine his last name. It wasn't usual for the individuals in this group to divulge their last names, and it was also common to use aliases. . . .

Please note that Alisha became very upset when discussing her sexual activities with Bob Wadman, and with other individuals. The video was stopped several times so that she could compose herself.

She said that Wadman had told her that Larry King "owes him a lot" and that "he had done a lot for Larry King." . . .

She said that she was told that [Omaha Mayor] P.J. Morgan supplies a lot of drugs. . . .

Alisha took numerous plane trips at the direction of Larry King for sexual purposes. These trips include trips to Los

Angeles, Kansas City, Pasadena, CA. On these flights were other minors. Information regarding these flights is as follows: . . .

Private Flights:

The first private flight that Alisha was on occurred in March of 1984. . . . The plane landed at a small airport in California. . . . Upon their arrival, Danny and Alisha were taken to an Embassy Suites type motel, and two businessmen came into their room. One man had sex with Danny, and one man had sex with Alisha. They received no money. Please note that she said that Larry King had ordered her to take this trip.

The man that Alisha had sex with she describes as "extremely weird." He hurt her, forced her to have anal sex, slapped her and threw her around. He took out a knife and threatened her if she didn't perform oral sex on him, and threatened to cut off her nipples. She was afraid and crying.

She stated that when the men finally left, that they were both very upset. She described Danny as being very upset and angry. Their ordeal with these two men lasted approximately six hours. Also, they were both afraid to take a shower for fear that the men would come back. . . .

Corroboration: Troy indicates in his video statement that Alisha, after this ordeal, was extremely upset and "smelled" and was a "mess." . . .

When Alisha was asked who participated and who was aware of the transportation of kids across state lines for sexual purposes, she said that Larry King and Alan Baer were aware of this. It is probable that other adults were also aware of this. She stated that Bob Kerry [sic] knew about these activities and that Larry (Lnuk) had told her this. Larry (Lnuk) also indicated that Bob Kerry knew about the closing of the Franklin Credit Union before it fell.

Other issues discussed regarding Bob Kerry consisted of Alisha's statements that she had a friend who works for Dixon and Dixon law firm who is responsible for maintaining the keys to the file room. Her name is Jackie Compton, and she has told Alisha that there are various documents with Bob Kerry's signature on them that relate to the Commonwealth ordeal. This is explained in detail in the first video taped statement. . . .

Alisha discusses the friendship between Judge Carlson and Tom McKinney, Assistant Douglas County Attorney. . . . She stated that McKinney and Carlson are also involved in drug activity. . . .

She also knows Peggy* West, the daughter of Gary West who is a good friend of Larry King's. She said that Peggy may have also been exploited and/or is aware of these activities. She is also acquainted with Gary West and indicated that he is a bartender at the Max Bar in Omaha.

When questioned about satanic cult activity, she said that Troy Boner and Danny King were involved in this activity, and that at one time Danny King was extremely "anti-God." . . .

She also mentioned a house on Leavenworth where there is, or was, a pentagram drawn on the kitchen floor. She also saw satanic pictures on the walls of this house. . . . In addition she stated that she saw Bob Wadman coming out of this house on one occasion.

Corroboration: Loretta Smith mentioned that a person actively involved in cult activity was a male identified as Kings Horses. She [Alisha] said that Larry (Lnuk) who was/is Larry King's "henchman" is known as Kings Horses.

She also indicated that she knows an individual identified as James Teddy Broom. She describes him as black, with greasy hair, a flat nose, slitted eyes, and that he "walks funny." Said that he does the "dirty work" for Larry (Lnuk).

Corroboration: Loretta indicates that Teddy Broom was instrumental in satanic cult activity, and threatened her if she said anything about what happened at the meetings. Loretta Smith also indicated that Teddy Broom raped her mother, Jackie Smith*, as a warning to her. . . .

She knows an individual named Frank Kessler who she thought was "very strange" and who always talked about the occult, but wanted to get out of it.

You will also see a transcript of a taped inteview from Lisa Sutherland*, who discussed satanic activity and teenage prostitution in Omaha. She too mentions Frank Kessler as being involved in cult activity.

She also knew of a social worker identified as Florence Davis who may be associated with this group of people. She stated that Larry King could "get anybody out of anything"

by offering them bogus jobs. It is also possible that Florence Davis may be involved in "funneling kids" into certain foster homes. See a transcribed interview with Millie Boggs* the Director for the Omaha Children's Home for further information regarding Florence Davis. . . .

Caradori filed a back-up report for this part of the precis, entitled "Taped conversation with Gary A. Caradori and Millie Boggs."

GC: But I'm also interested in when I asked you about what's her name, she was living "high on the hog."

MB: Florence Davis?

GC: Florence Davis.

MB: See, I'm not. . . . Let me tell you a little bit about what I know about Florence. I mean, Florence just used to be a line worker. I mean she was a worker like I am.

GC: I want you to talk about that because her name has come up. Just because a person's name has come up doesn't make you guilty either.

MB: No.

GC: And maybe it came up because she had the position at the time. And doggone it, I'm going to get her pulled on the carpet and have her explain herself from back then.

MB: You'll never get her back here.

GC: A subpoena might bring her back.

MB: Well maybe. I hear she's in San Francisco. I don't know. All of a sudden one day she was just there and the next day she's gone. And nobody can understand how Florence gave up this good job being a supervisor which would, I think had always been her goal. . . .

In late June of 1983 I attended a meeting at the state with Florence Davis, the McArthur children's worker, and Lloyd Linquist, the permanency planner. Basically, the purpose of this meeting was to tell me that the state would not change their minds and that they felt they were in a better position to judge what the McArthur children needed, and that they were going to proceed with adoptive plans of placing the children with the Webb family in Fort Calhoun.

A few days later I went with Florence Davis to the Webb home, as Florence thought I would feel better about the placement if I had the opportunity to meet the Webbs. Quite to the contrary, after meeting with Mr. and Mrs. Webb, I was more concerned than ever as I did not feel that this was a proper home for these three children. . . .

Something that I think is extremely suspicious is that about the time that the King mess was surfacing, Florence Davis suddenly left the state, almost overnight, and supposedly is living in California. A short time later, Lloyd Linquist went on sick leave and was gone for many months. And then about the time he was to return, he also resigned. While he was on leave I understand that he took a trip to Tahiti. I think personally that Lloyd Linquist and Florence Davis know a lot about the situation regarding the abuse of these children and they should be found and questioned. . . .

One time when Florence was working for the state, I believe before she became a supervisor, I noticed that she declared bankruptcy while she was living in her new condo and had her new car. However, after that whenever I would see Florence it seemed like she was dressed extremely well and did not appear to have any monetary worries, although I am not a friend of Florence's and I did nothing with her socially.

Lloyd Linquist also was impeccably dressed, although someone told me that he had only rented a room at the Grace Bible Institute and actually didn't even have an apartment. . . . I thought it was interesting that Lloyd could take trips to Europe which I know that he did in the years that he was a permanency planner, and other exotic vacations on the salary that he was paid by NDSS.

Caradori's summary of the testimony from Alisha resumed:

During the second video taped statement, [Alisha] again discussed the pornography aspect of this case. She said that Rusty Nelson develops his own photographs and that he would more than likely have the negatives of the group and individual pornographic photos, possibly to blackmail Larry King at a later date. She reiterated that Rusty Nelson and Larry King would "direct" these photographic sessions. She said that she would cry and try to get out of participating in

these sessions, but she would be "slapped around" if she didn't participate. . . .

She also states that Alfie Allen had been given a Mercedes Benz by Larry King, and that Alfie was very upset when the money stopped coming in because of the closing of the Franklin Credit Union. . . .

She again discussed the parentage of her child. She said that she is 99.9 percent sure that her child is Bob Wadman's, and that conception occurred in August of 1984. She had sexual intercourse with him on August 8th, August 10th, August 17th, and August 22nd. All of these sexual encounters occurred at the Starlight Motel, with the exception of August 10th which occurred at the Twin Towers apartment. . . .

Caradori recommended 62 individuals and documents to be subpoenaed on the basis of Alisha Owen's testimony. He finished the precis with a list of alleged perpetrators, named by her:

1. Larry King
2. Bob Wadman
3. Harold Anderson
4. Alan Baer
5. Deward Finch
6. Peter Citron
7. Judge Theodore Carlson

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Owen provided Caradori the name of Troy Boner as a victim-witness who could testify on the same events. After beginning a search for Boner, Caradori received a telephone call from him at 4:40 a.m. on November 25, 1989. From 4:30 p.m. later that same day, until 10:22 p.m., Troy Boner told his story.

Troy Boner

. . . Troy then stated that he met Larry King in July of 1984. He stated that Alan Baer had talked to Larry King about

him, so Larry King approached him in July of 1984 in The Max Bar and grabbed Troy's crotch. . . .

Since it was apparent that Troy had met Alan Baer before meeting Larry King, I asked him when he first met Alan Baer. He said that he first met him in August of 1983 through a friend of his named Tim Prescott*. He said that Tim picked him up in Alan Baer's car and told him how he could make some money. Tim took Troy to Alan Baer's residence in the Twin Towers which Troy stated was apartment #201. . . .

He said that he knew he was there so Alan Baer could get acquainted with him, and so he could make some money. He thought that he would let Alan Baer perform oral sex on him for him because Tim Prescott had told him what the "arrangements" would be. . . .

He said that he walked back to Alan Baer's apartment later that afternoon at Alan Baer's request. Alan met him at the door in a yellow Ralph Lauren bathrobe. Alan Baer asked him to get undressed. (Troy stated that he thought he was going to get $50.00.) He started undressing in the hallway and Alan Baer asked him to go into the bedroom. Alan Baer then got undressed and a sexual encounter ensued, including mutual masturbation and oral sex. After this sexual encounter, they took a shower together and he received $400.00 in fifty-dollar bills. Alan Baer told him to call him that next Tuesday.

Troy met with Alan Baer again five days later, after Troy had called him from his residence in Council Bluffs to make the arrangements.

Corroboration: Get the telephone records for his residence in Council Bluffs at this time. . . .

On February 5, 1984, Alan Baer took Troy and another young kid to Des Moines, Iowa. The other boy's name was Shawn (Lnuk) and he was approximately 12 to 13 years old. They drove to Des Moines in a tan Mercedes, which Troy thought might possibly be rented. They stayed at the Savoy Hotel in downtown Des Moines. Troy and Shawn stayed in the room at the hotel while Alan Baer attended some business meetings. The three of them had several sexual encounters while in the hotel. At one point, Troy left the hotel and upon returning found Alan Baer asleep holding Shawn.

Troy's mother had filed a missing persons report while

he was in Des Moines. He then called the mother of his girlfriend and had her pick him up in Des Moines. He left without Alan Baer's knowledge.

Corroboration: Check for a tan Mercedes possibly leased/rented to Alan at this time. Check to see if Loni Boner did file a missing persons report at that time. Who was Troy's girlfriend at that time? Check her and her mother to see if they did pick up Troy in Des Moines. Check the hotel records at the Savoy Hotel for that time period. . . .

In July of 1984 Troy was approached by Larry King at the Max Bar. Larry knew what Troy looked like from the pictures he had received from Alan Baer. Larry King grabbed his crotch while at the bar. Please note that he was a minor at this time. . . .

Larry King then had Troy move into the Travel Lodge Inn. . . . During this three weeks, Larry would stop by at various times, usually in the afternoon, for sex with him. They would perform oral sex on each other, and Larry King performed anal sex on Troy. Larry King also wanted Troy to urinate on him in the bathtub, which he did. . . .

In May of 1985 he [Troy] talked with Danny King about how Danny could make some money. Danny initially objected and said he did not want to get involved, but he later changed his mind. Troy had also told Alan Baer about Danny King. Troy then took Danny to Alan's apartment at the Twin Towers during which time Alan Baer asked Danny some questions about himself. Alan Baer then told him [Troy] to leave. He waited for approximately three hours before Danny came out of the apartment, and Danny showed him $300 that he said Alan Baer had given him. Danny said no sexual activity went on, but Troy stated that he later found out that Alan had anal sex with Danny.

In June or July of 1985, he went to a party where a 15-year old boy was in the center of the room with his pants down. An adult male was inserting beads into the young boy's rectum. Other adult men were seated around the young boy masturbating. Troy was ordered at this party to play with the young boy's genitals.

He stated that he thought the adult male who was inserting the beads into the young boy's rectum was a police officer. An individual named Mark* (Last name unknown) had told

him that this adult male was a police officer. The alleged police officer masturbated on the young boy in the center of the room. . . .

Troy also stated that an individual he identified as P.J. Morgan was there, also masturbating while the young boy was being exploited in the middle of the floor. . . .

He stated that he met Alisha Owens in February or March of 1984. He stated that Alisha did lose her virginity with him, and that he did introduce her to Bob Wadman at a party held in an office in the Woodmen Tower. . . .

When asked for further information about Bob Wadman, he stated that he likes to have sex with young kids and that in addition to Alisha Owens, there was another young girl he was involved with identified as having the last name of Hovel*, who was a runaway from Chicago. He stated that the last time he saw this girl was in May of 1986.

He stated that although he did not take any trips with Wadman, that Wadman did take trips with Larry King. . . .

He said that [the] reason he went on this flight was to have sex with an individual named Ron Gilbert. He stated that Ron Gilbert is a movie producer for a television series. He stated that he received no money for having sex with Ron Gilbert, and that he and Larry King also had sex while on this trip. . . .

The next trip occurred in a private plane to California. Present were Troy, Danny King, Alisha Owens, two smaller kids, and Larry King. . . . he said that he knew Danny and Alisha were going to be used for sexual purposes, even though neither one of these individuals wanted to go. The two smaller unidentified kids got dropped off by Larry King and Troy at two different locations. He stated that he believes that these two kids were "sold." . . .

He stated that Ron Gilbert, the television producer from California, is also involved in making pornographic movies. He described Ron Gilbert as an older, Jewish man.

Troy also discusses Robert Andreson [sic] having a collection of pornographic photographs. He feels that this individual works for Union Pacific Railroad and that he lives in LaVista, NE. . . .

He also stated that the following individuals supplied illegal drugs:

Larry King
Alan Baer
David (Lnuk)
John Points
Bob Wadman
Mark* (Lnuk)

Troy also stated that Bob Wadman brought two grams of cocaine to the party in North Omaha. . . .

Troy stated that Claire (Lnuk), Alan Baer's secretary, would set up "appointments" with kids for Alan Baer. He described Claire as an older woman, petite, with gray hair that she wore in a bun. Troy stated that Claire knew who he was.

He stated that Larry King and Bob Wadman and a couple of other men took a trip somewhere and with them were two young boys. He stated that the two young boys did not return from the trip. . . .

When asked what other kids were involved in these activities, he stated the following:

Rusty (Lnuk)
Danny King
Alisha Owens
(Fnuk) Hovel*
[three others]

On December 4, 1989 and December 5, 1989, I took Troy to the Omaha, Nebraska, and Council Bluffs, Iowa, areas in order to identify the various locations he made statements about in his videotaped statement. See Exhibit PH-1 for the photographs and his identification of these locations. See T-18 for the daily reports covering these two days.

On December 22, 1989, I video taped Troy again for corrections that he wanted to make reference certain details in his first video taped statement. . . .

It is recommended that the following individuals and/or documents be subpoenaed reference the statements and allegations made by Troy BONER. [60 names and references are listed.]

Perpetrators:
Alan Baer
Larry King

P.J. Morgan
Bob Wadman
Ron Gilbert
Henry (Lnuk)
Bob Andresen
[two others]

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On December 3, Caradori taped a third victim-witness.

Danny King

This writer telephoned Danny King at the Residence Inn and, along with staff member Karen J. Ormiston, proceeded to this facility . . .

At approximately 9:32 a.m. the interview began with James Daniel King in room 422 at the Residence Inn. Please note that approximately five hours of video was completed. It was quite apparent to this writer that it was very difficult for Danny to divulge the events of his past. . . .

It is apparent that there are some discrepancies between the statement of Alisha Owens and that of Danny King, however this writer feels that Danny was heavily involved with drugs during this time period and wasn't quite sure as to certain details. As a matter of fact, Danny did not know what month follows December. . . .

At this time, Danny indicated that he was relieved and wanted to "go forward." It is this writer's opinion that Danny is finally coming to grips with reality. He also indicated that this is the first time he was ever told anyone about the events that have happened to him.

From Danny King's videotape:

Danny said that he first met Alan Baer toward the end of 1983. This would have made Danny approximately 13 to 14 years old. He met Alan Baer through Troy Boner. . . .

Danny met with A approximately two weeks later. A and Danny drank schnapps and both participated in oral sex. Danny received 50.00 from A. The time was after school at

approximately 5 p.m. He would have been 13 or 14. This occurred at A's residence. . . .

Danny then saw A for approximately seven months, every week. The same events would occur as stated above. . . .

In April of 1984 Danny met Larry King at A's residence. Cocaine was used by A and Danny. LK and Danny then went into the bedroom. Danny was lying on the bed and LK had anal sex with Danny. It hurt Danny and Danny made him stop. Danny then gave LK oral sex but spit LK's ejaculation. LK then hit Danny with a shoe on the side of the head because he did not swallow it. Danny received no money for this occurrence. . . .

At this time Danny started seeing A again and A introduced Danny to "shooting up" cocaine. A gave him a shot in the arm and Danny got sick. A shot up also. Both participated in oral sex and Danny received $50.00. . . .

Danny mentioned an individual named Larry, Jr. who is LK's righthand man. . . .

When shown photographs, Danny identified Deward Finch as being "Chuck" who Danny had engaged in sex with quite a few times.

Perpetrators:
Larry King
Alan Baer
Deward Finch
Bob Andreson [sic]
Gary (Lnuk)

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At a press conference on December 18, 1989, Senator Schmit announced that he had obtained videotaped testimony from three victim-witnesses in the Franklin case. It had been viewed by himself and the other members of the Franklin committee, Senators Bernice Labedz, Dan Lynch, Jerome Warner and Dennis Baack. "Members of our committee are dismayed," Schmit wrote in a letter to Attorney General Spire, released at the press conference, "by the fact that no state or federal investigative bodies interviewed any of these new witnesses we have, even though they were discovered by our

investigative efforts after a fairly short time and with a very small budget. . . . It is the opinion of all committee members that the activities described and the personalities involved scream out for action, whether statute of limitations problems are involved or not. . . . As a result of the new evidence and new investigations, we have all become very, very concerned."

Schmit expressed his personal inclination to release the tapes *in toto,* for the sake of "the safety of our witnesses" and a speedy investigation. He abided by the committee consensus, however, to hold them back.

By December 1989, local, state and federal law enforcement had received copies of the videotapes of Alisha Owen, Troy Boner, and Danny King. Some officials, notably Douglas County Sheriff Dick Roth, said they believed the victim-witnesses. After watching five hours of the tapes, the Associated Press reported in February 1990, Roth "said he found the witnesses' statements to be credible." But there was no apparent move toward prosecutions.

CHAPTER 9

THE DECAMP MEMO

On January 18, 1990, I released a document that soon became infamous as "the DeCamp memo." For the first time, the names of prominent alleged perpetrators were public.

A lot has been written about that memo, much of it full of untruths and distortions. What follows is the true story of the DeCamp memo and the events leading up to it.

In the spring of 1989, after the first child abuse stories surfaced, I recommended to Senator Loran Schmit that he go directly to the FBI in Omaha to discuss the very serious allegations being made against Police Chief Robert Wadman by various individuals. This was before anybody even knew that Alisha Owen or other victim-witnesses existed and, of course, before Alisha Owen's allegations against Robert Wadman were made.

This legal advice of mine to Senator Schmit was in response to his question as to how to handle things, when law enforcement officials themselves were being accused of impropriety.

"Go to the highest authority you can, *above* the authority who is being accused," I told him.

Senator Schmit insisted I go with him to this meeting, as his personal attorney. I agreed to go, but on condition that he first meet one-on-one with the regional head of the FBI, Nick O'Hara, without me present.

He did meet with O'Hara for about one hour. Then I was called into the room. It was only at that time, through discussion, that I learned that the individual in question was former Omaha Police Chief Robert Wadman.

In brutal language and with the most somber demeanor possible, Mr. O'Hara made it clear that probably his closest

friend in the world was Police Chief Robert Wadman, and that anyone who would dare to accuse Robert Wadman of impropriety had better realize that in accusing Wadman, they were effectively taking on Nick O'Hara and the FBI.

I realized instantly, that my advice to Senator Schmit may have been faulty. How could I have known in advance, that the head of the FBI and the former chief were so intimate in their business and personal relationships?

There was tension in the air. I made a point of saying that I also was sure that all these accusations—whatever they were—had to be nonsense. I pointed out that my experience as a public official, a senator for sixteen years, made me appreciate the fact that it is easy to accuse a public official and darned difficult for one to defend himself, since the accusations are immediately put on the front page of the paper and broadcast as the lead story on the evening TV news.

But, as if to make a point that both I and Senator Schmit had better understand how serious it was for anyone to come to the FBI and raise questions about Robert Wadman, O'Hara had us sit down and provide him information about ourselves, *as if we were the ones being accused and investigated,* proceeding exactly as one might expect the FBI to do with someone the FBI was investigating.

"What's your date of birth? Where were you born? What is your exact name? Do you have any aliases?" O'Hara quizzed us.

When we left the FBI offices, I said to Senator Schmit, "Wow, did I make a mistake. Anybody who dares to investigate this is going to get themselves buried by the FBI, if they start making any accusations against Wadman or anybody associated with him."

I had no idea how prophetic those words were.

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It was only after Caradori's first tapes had been turned over to law enforcement agencies, that leaks of what was on them began to reach the public and became the subject of widespread

discussion. Articles began to appear in the *Omaha World-Herald,* aimed to discredit the witnesses and intimidate any other potential child victim-witnesses from testifying or coming forward with information.

As the stories proliferated, Gary Caradori expressed to Senator Schmit his concern for the safety of the victim-witnesses who had allowed themselves to be taped. Schmit sought my legal advice again.

"These kids need protection or they are going to end up dead, or become afraid to continue to tell the truth," the senator said. "The committee has to do something to guarantee their protection."

Gary Caradori was even more vehement on the need for protection. "Unless they get into a protected environment, where Alan Baer and Larry King and Robert Wadman are not able to get to them and scare them, I can tell you the kids will fold. They will do whatever those guys order them to do. They will fold, or they will end up dead," Caradori hammered at Senator Schmit. "You have to do something to protect them."

My legal advice to Senator Schmit and my direct warning to Gary Caradori at that time, in December 1989 and January 1990, was the most painful information I have ever had to provide someone.

"You cannot and should not do anything to use committee funds or committee personnel to provide protection for these kids," I told Schmit. "Otherwise, you and the committee may be accused of impropriety and tampering with witnesses, and who knows what else. Painful as it is for me to tell you this, you have to find some other legal channel to provide protection for the kids. Whether that channel is the courts or a judge or whoever, it is something that either the lawyer for the kids should be doing, or some institution of government vested with the power and responsibility to do those things should be doing. But you, Senator Schmit, should not personally get involved in any way, shape or form in providing money or assistance or protection for these kids, nor should the committee, in my opinion."

Senator Schmit shared his concerns with other members of

the legislature, who were hearing the rumors and who had their own resources for finding out information. Key among them was Senator Jerry Chizek of Omaha, chairman of the Legislature's Judiciary Committee. He was very tight with Douglas County Sheriff Dick Roth.

In early January 1990, as stories of what was involved in the Franklin case spread through the streets of Omaha, Senator Chizek took it upon himself to set up a very secret, private meeting among Senator Schmit, Sheriff Roth, a representative of the Douglas County District Court, Judge Corrigan, and himself. I was asked by Senator Chizek and Senator Schmit to attend the meeting. I was glad to come, for the purpose of providing legal guidance to Senator Schmit, so that he did not engage in trying to solve the problem of protection for the witnesses in an illegal, if well-intentioned, manner.

The meeting took place in an auto body repair shop somewhere in west Omaha, on what I am sure was the coldest day of the year.

For most of the afternoon, discussion centered around the essence of the rumors that were circulating about the contents of the Caradori tapes. Attention was focused on the necessity of protecting the victim-witnesses who had provided testimony.

Sheriff Roth had viewed the tapes. I presume others in the room also had, including Senator Schmit. I personally had not viewed the tapes and, believe it or not, have not viewed them to this day.

From the conversation on that cold January day, there was no doubt at all, that Sheriff Roth and others in the room believed in the validity and accuracy of the allegations made on the tapes.

As the talks progessed, Sheriff Roth used a phrase that had special meaning to me. "I will tell you one thing," he said, "Nick O'Hara of the FBI and Robert Wadman are closer than nineteen is to twenty. Everybody in law enforcement knows that. I know it especially well. Closer than nineteen is to twenty. That makes it almost impossible to get anything done or to arrange any witness protection through the feds. I will try to help in any way possible, but I am not sure anything can or

will be done. These people involved are just too powerful. They carry enough weight in this community to do what they want and get away with it."

Sheriff Roth did stand up for the victims of Franklin-related child abuse, on several occasions. I know that he subsequently came under intense pressure, including from the *World-Herald,* to repudiate his belief that the allegations of the child victim-witnesses were true.

The net result of the secret meeting with Sheriff Roth and Judge Corrigan of the Douglas County District Court was nothing. The plan was for Judge Corrigan to explain the situation, including the fact that fellow district court judges were the subject of some of the accusations, to the other dozen district court judges. Then a plan might be worked out, for witness protection under the auspices of the court.

Unfortunately, that did not transpire. What Judge Corrigan did or did not do, only he knows.

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About the time of the secret meeting with Judge Corrigan and Sheriff Roth, my office received a long-distance phone call from a girl who identified herself as Loretta Smith. I returned her call.

"I'm one of the Franklin victim-witnesses," she explained. "I'm the one they wrote a lot about in the *Omaha World-Herald.* A friend of mine told me that maybe you would help me."

Having read the stories about Loretta, who was not identified by name in the *World-Herald,* I knew basically the story she was telling, as to her abuse and the individuals who had supposedly abused her.

"I know who you are, Loretta, and if I can help you, I will," I said. "And yes, I have read about you and your story and, surprising as it might sound to you, I do believe you."

We discussed ways I might help her.

A couple of weeks after that phone call, reporter Kathy Rutledge of the *Lincoln Journal* telephoned me at night at

home. She said she understood I had been in touch with Loretta Smith, and she wanted to know all about the matter. It was clear from the beginning of the conversation, by the tone of her voice and her accusatory questions, that Kathy was intent on doing a hatchet job on me.

I begged Kathy Rutledge not to distort facts. She repeatedly tried to suggest that I had improperly contacted Loretta Smith. Furthermore, she kept implying that I had told Loretta that I had secret information on Franklin, which I would be trying to use improperly.

I corrected Rutledge again and again. I pointed out to her that if I had done the things she was saying or implying that I did, such conduct would be a violation of legal codes of ethics and would subject me to penalties, including even revocation of my license to practice law. I urged that she not even write a story about this, for the protection of the young lady involved. If she insisted on writing a story, I said, she should at least tell the truth and not distort facts.

A few days later, a lawyer working in my office, John Goc, walked into the office carrying the *Lincoln Journal* and talking loudly: "What are you trying to do, DeCamp, get yourself disbarred? What are you going around talking to this reporter for? When the Bar Association sees this, you can bet you'll be in trouble. I hope you have a good explanation. You're going to kill your lobbying business with this kind of story." That is approximately what John Goc said to me on January 18, 1990.

I ran down to get a copy of the newspaper, knowing already what Kathy Rutledge must have done. Determined to get herself a headline story and lots of attention, she had to distort the truth. Just as I feared, every negative and distorted impression was conveyed by her story. Six days later, I would be notified by the Bar Association that I was under investigation, as a result of the Rutledge story.

Even before that happened, I was confronted by *Omaha World-Herald* reporter Bob Dorr on the telephone, demanding that I answer questions about Franklin, such as what I knew, where I got my information, how I got the name of this Franklin witness, what secret information I had, and why I was conceal-

ing things. His drift was the same as Kathy Rutledge's questions.

I determined that I could no longer keep silent. I would answer the questions of Dorr in detail in writing, so that there would be no misunderstanding or distortion possible. Or, if there was distortion nonetheless, I would have a record of what I had actually told him.

My answer to Bob Dorr's questions was the DeCamp memo.

I also prepared a documented reply to the Nebraska Bar Association inquiry, to prove that the conduct related by Kathy Rutledge in her article had not occurred. I was able to submit affidavits from two employees in my office, who swore that it was Loretta Smith who contacted me, and not vice versa. I also obtained an affidavit from a friend of Loretta, who knew me and my wife from when we had helped her, on request from her minister, several years earlier, and who was the person who advised Loretta to call me. Within hours after presentation to the Bar Association of this documentation, the bar investigation was terminated. I was cleared of any impropriety or wrongdoing.

The *Lincoln Journal* ran a second story on the matter, after the DeCamp memo was issued, in which Rutledge attempted to correct the falsehoods and deceptions in the first story. In any case, I filed a slander and defamation lawsuit against the *Journal* for that first story, which lawsuit is still in the courts.

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I charged in the memo, that in the Franklin case, "*institutions of government have failed and thus credibility of government itself is at stake in this matter and in a very real sense, first the [legislative] committee and then the Legislature, are the court of last resort.*" (Emphasis in original.)

I had not seen the videotapes of the victim-witnesses and I said so, but I wrote:

> First, as a citizen who strongly pushed for the Franklin investigation and in fact offered suggested language for the

Senate Resolution which triggered the investigation, I find what is occurring by both the Press and Institutions of Government nothing short of criminal. The Press quietly and carefully covers up, either thru ignorance or artifice, while the various institutions of Government repeat the old Commonwealth/State Security game of "let the statute of limitations run" on those that should and could be immediately prosecuted and investigate and study and "ask for more information."

Why?

Because of the personalities involved.

The *World Herald* and *Lincoln Journal* want to know where I get information on Franklin. Get serious. A reporter has to be deaf, dumb, blind and corrupt not to know the names of the personalities involved and the scope of the allegations. Stop on any street corner in Omaha; go into any coffee shop; have a drink in any bar in Omaha, or if you are lazy, walk around the Capitol Rotunda in Lincoln and simply listen to the discussions. Here is what you will learn:

1. The allegations are that the most powerful and rich public personalities of the state are central figures in the investigation.

2. That these include former *Omaha World Herald* Editor Harold Andersen; Larry King of the dead Franklin Credit Union; Former Omaha Police Chief Robert Wadman; Media Personality Peter Citron; Ak-Sar-Ben Financier and bluest of the bluebloods, Alan Baer, for starters.

3. That the allegations are that these individuals were some of the centerpieces in a co-ordinated program of Child Abuse, Drug Abuse, and abuse of their various public positions of trust and honor.

4. That prosecutors who should be prosecuting are afraid to prosecute for one reason or another and that the public itself is rapidly losing faith in its fundamental institutions of government as a result of this perceived coverup, whether real or imagined. . . .

What do I personally believe. I damned well believe the allegations.

Now, having said these things and reported these allegations, am I afraid of being sued by these powerful personalities. *Absolutely not*. Remember that rule you newspaper folk

> live and die by and crucify others by. If you have forgotten, let me repeat it for you: *truth is a defense*. And, since these are all *public figures*, we also know that *absent any malice*, and I have none, *truth is definitely a defense*. . . .
>
> No, I do not fear a lawsuit. I fear, just like *any alleged child victims* in this bizarre tragedy, that the rich and the powerful will use their positions of power and *control of institutions of government* to shut up those who would speak out and bring things to a head.

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The DeCamp memo lit a firestorm of controversy in Omaha and statewide. On radio, TV, and in the press, it was dealt with daily for several weeks.

The furor touched off by the circulation of the memo is conveyed in a March 17, 1990 *Kansas City Star* article, headlined "Former legislator's angry memo turns sober Nebraska on its ear":

> Two months ago, DeCamp sat behind his [word processing] machine and pounded out the infamous "DeCamp Memo." The piece of invective became the subject of discussion from Omaha's silk-stocking salons to the cowboy bars in the Sand Hills.
>
> He named five prominent Omaha men as "central figures" in a legislative committee's yearlong review of allegations of sexual abuse linked to the 1988 collapse of the Franklin Community Federal Credit Union. . . .
>
> DeCamp's memo found its way to dozens of copy machines and quickly littered the state, spawning a swirl of gossip. In an attempt to put the rumors to rest and find the truth, the U.S. attorney called a federal grand jury last month.
>
> And next week a Douglas County grand jury in Omaha will begin hearing the allegations, including one that King flew teenagers to Kansas City in 1985 to perform sex with men in a rented room at the Westin Crown Center Hotel.
>
> Hardly modest, DeCamp takes credit for the convening of the grand juries. "If it had not been for that memo,

> there would not even be a grand jury investigation today," DeCamp contends. . . .
>
> DeCamp had the audacity to name, among others, Harold Andersen, former publisher of the *Omaha World-Herald*. DeCamp left the implication that Andersen, an icon of journalism who lunches with President Bush, had a fetish for children. Said one politician, "It was like insulting God."

Rumors started reaching me, that I was going to be sued by various people.

Finally, a close friend of mine, who is a prominent reporter in Nebraska and whom I agreed not to name in this book, came to me privately to say that an agreement had been reached among the various individuals I had named in the memo, and others, for Peter Citron to be the one to sue me. The purpose would be to destroy me in full view of the public, and to repudiate the DeCamp memo.

Truth put a crimp in that plan. Not long after the message was delivered to me, Peter Citron was charged with sex crimes involving male minors in the Omaha area. It seems that some parents, who knew their children were hanging around Peter Citron, were shocked to see him named in the DeCamp memo. They responded by asking their children, whether or not there was any truth to the allegations, with respect to Citron. One after another, the boys began to pour out the truth to their parents.

The demands by parents for immediate action left the police and prosecutors no choice. They had to file charges against Peter Citron, although I rather suspect they did not want to.

Citron ultimately pleaded guilty. Today he is in prison, sentenced as a mentally disordered sex offender.

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Needless to say, the *World-Herald* devoted many column-inches to condemning the DeCamp memo as irresponsible.

I cannot neglect to comment on the *World-Herald*'s overall role in the Franklin scandal.

Nebraska has only one state-wide news source. It is the

Omaha World-Herald. Our small population, vast expanses, and the cost of maintaining a daily newspaper in this day and age, all guarantee that the *World-Herald* is the news source for this state. With that awesome power, one would think would come a corresponding measure of responsibility, to make sure Nebraskans get all sides of an issue. That they really get the news.

But the *World-Herald*'s long-standing pattern of behavior is just the opposite. If it has an editorial attitude on a story, its news coverage and every other aspect of the newspaper are mustered to accentuate the preferred side of the issue and suppress opposing views.

In the case of Franklin, the paper went to new lengths. The integrity and credibility of the newspaper went on the chopping block, for the sake of suppressing the truth about Franklin and, to a high degree, the Commonwealth and State Security banking stories—Nebraska's three biggest scandals of the last fifty years.

Why all this effort? Because, tragically, the people who control the *World-Herald* appear to have a strong vested interest in suppressing the truth. Whether it is Peter Citron, past publisher Harold Andersen, or underlings who have their positions only because of Andersen, their linkage to Franklin dictates that they use the best tool available, the *World-Herald*, to tell the public what they want them to believe.

Because of its virtual monopoly as a news source, something repeated often enough by the *World-Herald* may attain the status of truth in the minds of those who read it. In the case of Franklin, the paper has repeated a simple theme, shaped by its top personnel—that the Franklin sex scandal, pedophilia and drug abuse stories were trumped up.

I can present certain facts, never publicly revealed before now, that exemplify the program of deception carried on by the *World-Herald* throughout the Franklin scandal, continuing to the present.

In coverage of the DeCamp memo, and in other Franklin coverage, the impression given by the *World-Herald* was that the legislative committee to investigate Franklin, headed by

Senator Schmit, was functioning in an irresponsible manner, allowing leaks to the press and to others. In editorials and on the news pages, the *World-Herald* repeatedly condemned Senator Schmit for supposedly leaking information. Then they attacked me, for supposedly obtaining information from Senator Schmit and leaking it.

The truth was the opposite. I was providing information to the committee, as committee records will bear out.

Probably the best example of this would be the detailed breakdowns of Franklin Credit Union financial transactions, which the committee received from me, months in advance of their own investigation.

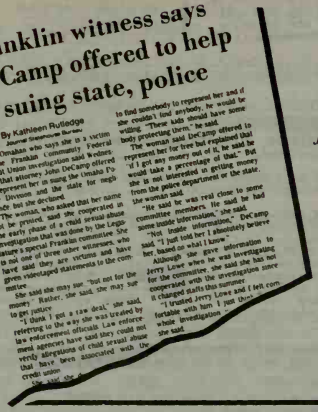
How did I get such data? Believe it or not, I got them from the chief counsel of the National Credit Union Administration (NCUA), Robert Fenner.

In an unsolicited phone call from him, Fenner gave me details about Franklin's secret accounts. In retrospect, I believe he wanted—through me—to throw cold water on the questions that were heating up in Omaha, about the role of Franklin monies in the Iran-Contra money-laundering schemes. At the time, I asked Fenner if he wanted me to share his information with Senator Schmit, which he did.

I immediately drafted a detailed memo of my conversation with Fenner. I provided the information to Senator Schmit, for the legislative committee. I gave Fenner's phone number to Schmit.

Thus, from the outset, I was sending information to the Senate Franklin committee, and not the other way around.

THE DECAMP MEMO



Franklin witness says DeCamp offered to help in suing state, police

By Kathleen Rutledge
Journal Statehouse Bureau

An Omahan who says she is a victim in the Franklin investigation said Wednesday that attorney John DeCamp offered to represent her in suing the Lincoln Police Department and the state for negligence.

The woman, who asked that her name not be printed, said she cooperated in the early phase of a child sexual abuse investigation that was done by the Legislature's special Franklin committee. She is not one of three other witnesses who have said they are victims and have given videotaped statements to the committee.

She said she may sue "but not for the money." Rather, she said, she may sue to get justice.

"I think I got a raw deal," she said, referring to the way she was treated by law enforcement officials. Law enforcement agencies have said they could not verify allegations of child sexual abuse that have been associated with the credit union.

She said she decided to find somebody to represent her and if she couldn't find anybody, he would be willing. "There has to be somebody protecting them," he said.

The woman said DeCamp offered to represent her for free but explained that "if I got any money out of it, he said he would take a percentage of that." But she is not interested in getting money from the police department or the state, the woman said.

"He said he was real close to some committee members. He said he had some inside information," she said.

"Not inside information," DeCamp said. "I just told her I absolutely believe her based on what I know."

Although she gave information to Jerry Lowe when he was investigating for the committee, she said she has not cooperated with the investigation since it changed staffs this summer.

"I trusted Jerry Lowe and I felt comfortable with him. I just think the whole investigation ...," she said.

Lincoln Journal *article of January 18, 1990, which appeared despite John DeCamp's urging journalist Kathleen Rutledge to "tell the truth and not distort facts."*

Office of the
Counsel for Discipline

COUNSEL FOR DISCIPLINE
Dennis G. Carlson

ASSISTANT COUNSEL FOR DISCIPLINE
Alison L. Larson

January 24, 1990

Mr. John W. DeCamp
Attorney at Law
300 Executive Bldg.
521 South 14th Street
Lincoln, Nebraska 68508

Dear Mr. DeCamp:

The Supreme Court Rules of Discipline of the State of Nebraska, 1989, provide that I am to notify a member in writing that he is under investigation or that he is the subject of a complaint and furnish him a copy thereof. Accordingly, I am enclosing a copy of a newspaper article published on January 18, 1990 in the Lincoln Journal.

I am concerned, based upon the information contained in the article, that you may have attempted to solicit legal business.

Pursuant to Rule 9 (E) of the Supreme Court Rules of Discipline, you are required to send to me an appropriate written response within the next fifteen (15) working days. If you fail to so respond, the Rules provide that this failure alone shall be grounds for discipline.

After reviewing your response, I can dismiss the complaint if it does not appear that your conduct was in violation of the Code of Professional Responsibility. If your conduct does appear to constitute a violation of the Code of Professional Responsibility, a further investigation will be instituted, as may be appropriate under the circumstances.

Sincerely yours,

Alison L. Larson
Assistant Counsel
for Discipline

AL:lh
Enc.

Nebraska State Bar Association
635 South 14th Street • P.O. Box 81809 • Lincoln, Nebraska 68501 • (402) 475-7091

Six days later, this letter from the Nebraska State Bar Association notified DeCamp he was under investigation for improperly contacting a victim-witness.

STATE OF NEBRASKA)
) ss.
COUNTY OF LANCASTER)

My name is [redacted]. I live at 3009 Cass Street, Omaha, Nebraska, and I work at Richard Young Memorial Hospital. One of my roommates at my current residence is [redacted] who previously worked at Richard Young Memorial Hospital; was the PCP (Primary Care Person) for a young lady identified as [redacted].

Several years ago, when personal problems, Rever arranged for me to stay Lincoln, until such time of myself and particular John DeCamp has provided requested it in regards All, without charge, I m fee case for me on a per

Early in January, 1990, giving any notice to Joh with John DeCamp and his John's legal assistance course of the conversati employment at Richard Yo [redacted], and another empl from their jobs in their hospital policy that pat months after patients ar refused to take [redacted] for her safety and had n with her former PCP, [redacted] the time.

I advised John DeCamp of surrounding [redacted] t had failed and cost peop to fear for her safety; questioned about Frankli stories about the terrib result of Franklin and t by an attorney.

John provided me legal g matter. He did not char [redacted] that if [redacted] would have to initiate t willing to represent her contact him if she wante

He told me that he would to her about things such representation if she called him and asked for that help. John

STATE OF NEBRASKA)
)ss.
COUNTY OF LANCASTER)

COMES NOW the undersigned, Cindy Morrissey, being first duly sworn and deposes and says that:

1) She is employed as a secretary by DeCamp Legal Services, P.C. in Lincoln, Nebraska and was so employed on January 8, 1990.

2) As a part of her duties she performs secretarial services for one of the firm's attorneys and also answers the telephone.

3) On January 8, 1990, she answered a number of telephone calls to the firm and received one in particular, for John DeCamp from a [redacted], telephone number [redacted]. When informed that Mr. DeCamp was not available, Ms. [redacted] left a message and requested that Mr. DeCamp return her call. Your affiant then conveyed the message and telephone number to Mr. DeCamp's secretary, Jan Jewell.

4) Other than the January 8, 1990, call previously mentioned, she was unaware of any other calls to or from [redacted] prior to such date.

And further your affiant sayeth not.

Cindy Morrissey

Sworn and subscribed before me this 2nd day of January, 1990.

GENERAL NOTARY - State of Nebraska
SALLY J. BENNETT
My Comm. Exp. 11-1-93

Notary Public

Affidavits from DeCamp's secretaries and a friend of the victim-witness proved that the Journal was distorting facts.

Office of the
Counsel for Discipline

COUNSEL FOR DISCIPLINE
Dennis C. Cahoon

ASSISTANT COUNSEL FOR DISCIPLINE
Alison L. Larson

February 7, 1990

Mr. John W. DeCamp
Attorney at Law
300 Executive Bldg.
521 South 14th Street
Lincoln, Nebraska 68508

Dear Mr. DeCamp:

Please be advised I have as of today's date dismissed or closed this office's investigation initiated against you on January 24, 1990.

Sincerely yours,

Alison L. Larson
Assistant Counsel
for Discipline

AL:lh

Nebraska State Bar Association
635 South 14th Street • P.O. Box 81809 • Lincoln, Nebraska 68501 • (402) 475-7091

The Bar Association cleared DeCamp.

Memorandum from John W. De Camp 18 January 1990

To: Bob Dorr, Omaha World Herald, and the public:
Dear World Herald Reporter:

Attached please find copy of story in the Lincoln Journal. I think it important to give you some background information which I have declined to give the press.

On 8 January 1990 my office, Phone 477-3974, took a phone call from a young lady who identified herself as [redacted]). The phone call was taken by Cindy Morrissey, a secretary in my office, who relayed the information to me to call this young lady at Phone Number . Later in the day, when I had time, I called this number and said to the female who answered, "Hello, my name is John De Camp. I have a message to call [redacted].

The young lady identified herself as a Franklin victim and told me that a friend of hers ([redacted]) who had recently sought my legal assistance in her own personal matters had recommended she, the Franklin Victim, call me if she was needing an attorney.

I advised her I was quite familiar with the Franklin matter. I told her I had heard, from [redacted] recently when [redacted] came to see me on [redacted] own legal problems, that [redacted] had been treated quite poorly by our institutions of government since being released from the hospital. I told her that I understood from her friend, [redacted], that she, [redacted], may be needing an attorney but had no money. [redacted] had expressed the fact that [redacted] might be in danger, a fact which I agreed with her on, but that [redacted] did not have any place to turn and no money to hire any lawyer. I told [redacted], and [redacted] when I returned her phone call, that if she was not able to obtain an attorney and if she indeed felt she needed one, that I would offer her any assistance my office could provide and do it for free if necessary. She asked why would I do this for free. I said for several reasons: First, I said I believed that the bulk of what she and others were saying was essentially true and that the Foster Care Review Board which I legislatively sponsored a few years ago also believed her story was true and that she might well be needing a lawyer of some kind if for no other reason than for her own protection and to obtain court assistance in these efforts. I advised her that, crazy as it might sound to her, my primary reason for agreeing to assist her if she wanted was because I felt Institutions of Government had failed and each citizen has a duty to try to force Institutions of Government to work when they are standing there in a position to do so.

I pointed out to her some background I had which gave me familiarity with the Franklin matter including the fact that I had personally been a delegate to the Republican National Convention in 1984 and 1988 and been a witness at the massive spending and luxury at the Larry King parties in both Dallas and New Orleans and as Chairman of the Legislative Banking Committee had observed with a jaundiced eye the Franklin operation which no information could be obtained on because it was a Federal Institution.

I strongly cautioned her to take care of herself and think about what she wanted to do, if anything, and offered to be available if she needed anything and was not able to obtain assistance elsewhere.

I tried to describe for her a C-1983 Federal Court Action under which she could seek protection from the court, assistance from Institutions of Government and damages if appropriate. I explained that if successful such an action would allow any lawyer who helped her to recover their expenses and appropriate fees. I offered to talk to her further if she wished to come to Lincoln to talk to me.

I have heard nothing further from the young lady until the 18th of January when the Lincoln Journal called me and asked how I had obtained the name of one of the secret Franklin witnesses.

The reason I provide you this information is very simple. I have maintained more than a passing interest in Franklin and believe, as I have suggested to Senator Loran Schmit on many occasions, that INSTITUTIONS OF GOVERNMENT HAVE [redacted] AT STAKE IN THIS MATTER AND

After Rutledge's article appeared, Omaha World-Herald *reporter Bob Dorr telephoned DeCamp, demanding to know where DeCamp got his information, how he got the name of the Franklin witness, and what secret information he had. So that there would be no grounds for misunderstanding or distortion, DeCamp decided to answer in writing. This was the origin of the DeCamp Memo, shown here.*

CHAPTER 10

PAUL BONACCI

In May 1990, Caradori discovered a fourth victim-witness, Paul Bonacci, whose testimony corroborated and amplified the stories told on the earlier videotapes. Caradori's daily notes of May 10 record his first contact with Bonacci, at the Douglas County jail.

> After discovering Dan Newton* wasn't at this facility, this writer then contacted Inmate Paul A. Bonacci. . . . Paul Bonacci's name had been given to me by a Mary Barrett, and I had his name for quite some time.
>
> Upon having Mr. Bonacci meet me in an interviewing room, Bonacci related to this writer that he knew Troy Boner, Danny King, and Alicia [sic] Owen. He further advised that he had been a victim of Alan Baer, Peter Citron, and Larry King, and had some knowledge of Bob Wadman, Harold Anderson, and a judge who he later on referred to as Carlson. During the next few hours, he related some of his knowledge reference Peter Citron, Alan Baer, Larry King, and also Bob Wadman.
>
> The subject stated that he had been on at least 1–200 trips and had been involved in extensive homosexual activity as a child and as a young adult, with his homosexual activity starting when he was approximately 8–10 years old. The subject then stated that between the years of 1982 and 1986 he had probably been on at least 200–300 trips. The subject stated that he made at least 15–20 trips to various parts of California, a couple of trips to Washington, D.C., and also trips to Des Moines, Minneapolis, Kansas City, Austin, Houston, Dallas, St. Louis, Miami, Pasadena, Tampa, Lincoln, and Grand Island. Some of those trips he thought

involved politicians from Washington, D.C., however, he didn't know anyone by name because of his young age.

The subject stated that he was taken to the Omaha Police Department sometime in March and was talked to by Omaha Police Detective Mike Hoch, during which time Detective Hoch was very hard on Bonacci, and after finishing up with the police interview, he told Bonacci, that, reference Larry King, he was afraid he might prosecute him (Bonacci) as there would be no attempt to give him formal immunity.

. . .

When questioned about Alan Baer, he stated that he first met him in the "Milk Run," an area near and surrounding the Correctional Center. He stated that he was approximately 12 years old and that this occurred possibly in 1979. He stated that Alan Baer would pay him $20 for oral sex. He stated that the last time he had sex with Alan Baer was, he believed, around November 15, 1989, in Alan Baer's apartment in the Twin Towers. . . .

Other information received from Paul indicated that he had tried to get away from these people on many occasions, and in his attempt to escape them he did attempt suicide. He stated that he was very afraid of Larry King's "people." In fact, there was a black individual whom he called "Larry Little King," who would go around and make threats and attempt to scare him and other individuals. Paul Bonacci indicated that he was really very scared of being threatened.

. . .

In reference to Bob Wadman, subject stated that he believed he met Wadman sometime in late 1985 or early 1986. He stated that he had seen Bob Wadman at [at] least two parties that were located near the town of Elkhorn, Nebraska.

. . .

During the course of the conversation, subject stated that Alisha Owen was present at [at] least one of these parties that Wadman had attended also. The subject believed the girl (Alisha) and Wadman might have been together. . . .

Other information gained during the interview: Bonacci stated he knew when Alisha Owen got pregnant because a young individual by the name of Chris told him that it was probably Bob Wadman who got Alisha pregnant. Further, he stated that there was another individual who he had spent

> time with in the Twin Towers by the name of Bob Morino, Apt. #4H, Twin Towers, Omaha, Nebraska. Also, there was another young boy sexually abused by Alan Baer by the name Peter Fells*. He stated that this individual might have moved to Tennessee, however, he was not sure.
>
> Paul Bonacci went on to state that he had gone on many "scavenger hunts" for Alan Baer. He defined "scavenger hunts" as an activity in which he would go out and recruit young boys for Alan Baer. . . .
>
> He stated that Larry King would fly him all over the country. On at least one trip to California, Alisha Owen was present on the flight. . . .
>
> He stated that on at least one trip he had seen Troy, Danny and Alisha in California. That was sometime in 1985 or '86. . . .
>
> He also stated he made two trips to Washington, D.C. with Larry King—just the two of them alone. He stated that while in Washington, D.C., he had sex with other people. He thought they were part of the Republican Party because Larry King was trying to hard to "get in with the higher ups" in the Republican party. He stated that he heard the name of one of the individuals with whom he had sex as Frank. He thought he might be a senator or governor or some state official. . . .

■ ■ ■

On May 14, 1990 Caradori took a video statement from Bonacci. He wrote in that day's notes:

> Further, when questioned, Mr. Bonacci stated that his last contact with Alisha Owen, he thought, was in 1986, and with Troy Boner and Danny King in 1987. He stated that he had no physical, verbal, or written communication with any of those three since that time.

One of the experiences with Larry King, which Bonacci described to Caradori on tape, he later detailed again in his written account of abuse, prepared for his lawyer, this writer.

Bonacci has often said, that he wants the full story of his abuse to be public. "Somebody has to tell the story," he wrote in the introduction to this document, "And it might as well be me."

Gruesome as it is, Bonacci's report to me harks back to the early cries for help, from Loretta Smith:

> I went in January of '84 on every trip. I was paid by men King knew for sex. In the summer of '84 sometime I went to Dallas Texas and had sex with several men King knew in a hotel.
>
> I flew on YNR Airlines and Kam Airlines normally for King. I never had much personally to do with King, only went where he told me to go.
>
> In or on July 26th I went to Sacramento, Ca. King flew me out on a private plane from Eppley Airfield [in Omaha] to Denver where we picked up Nicholas, a boy who was about 12 or 13. Then we flew to Las Vegas to a desert strip and drove in to Las Vegas and to some ranch and got something. Then flew on to Sacramento.
>
> We were picked up by a white limo and taken to a hotel. I don't remember the name of it. We meaning Nicholas and I were driven to a area that had big trees, it took about an hour to get there. There was a cage with a boy in it who was not wearing anything. Nicholas and I were given these tarzan things to put around us and stuff.
>
> They told me to f--- the boy and stuff. At first I said no and they held a gun to my balls and said do it or else lose them or something like that. I began doing it to the boy and stuff. And Nicholas had anal sex and stuff with him. We were told to f--- him and stuff and beat on him. I didn't try to hurt him. We were told to put our d---s in his mouth and stuff and sit on the boys penis and stuff and they filmed it. We did this stuff to the boy for about 30 minutes or an hour when a man came in and kicked us and stuff in the balls and picked us up and threw us. He grabbed the boy and started f---ing him and stuff. The man was about 10 inches long and the boy screamed and stuff and the man was forcing his d--- into the boy all the way. The boy was bleeding from his rectum and the men tossed him and me and stuff and put the boy right next to me and grabbed a gun and blew the boys head off.

The boys blood was all over me and I started yelling and crying. The men grabbed Nicholas and I and forced us to lie down. They put the boy on top of Nicholas who was crying and they were putting Nicholas hands on the boys ass. They put the boy on top of me and did the same thing. They then forced me to f--- the dead boy up his ass and also Nicholas they put a gun to our heads to make us do it. His blood was all over us. They made us kiss the boys lips and to eat him out. Then they made me do something I don't want to even write so I won't.

After that the men grabbed Nicholas and drug him off screaming they put me up against a tree and put a gun to my head but fired into the air. I heard another shot from somewhere. I then saw the man who killed the boy drag him like a toy. Everything including when the men put the boy in a trunk was filmed. They took me with them and we went up in a plane. I saw the bag the boy was in. We went over a very thick brush area with a clearing in it. Over the clearing they dropped the boy. One said the men with the hoods would take care of the body for them.

I didn't see Nicholas until that night at the hotel. He and I hugged and held each other for a long while. About two hours later the men or Larry King came in and told us to go take a shower since we had only been hosed off at some guys house. We took a shower together and then were told to put on the tarzan things. After we were cleaned up and dressed in these things we were told to put on shorts, socks and a shirt and shoes and driven to a house where the men were at with some others. They had the film and they played it. As the men watched they passed Nicholas and I around as if we were toys and sexually abused us.

They made Nicholas and I screw each other and one of the men put the dead boy's penis in mine and Nicholas' mouth. I didn't want to write this because the man forced me to bite the boys' penis and balls off. It was gross and I saw the film where it happened and started freaking out remembering what they made us do afterwards to the boy. They showed us doing everything to the boy. I was there for about 5 days attending parties but only recall cutting my wrist which is why I stayed two days in a hospital under a name I can't recall. Some guy paid for me.

In other testimony, Bonacci said that Larry King was smiling and laughing the whole time the film was being shown, and that "the men with the hoods" were a Satanic group which planned to use the dead boy in some sort of ceremony. He also named the director of the snuff film, whom they had picked up in Las Vegas, as "Hunter Thompson."

CHAPTER 11

COVER-UP PHASE II: THE DOUGLAS COUNTY GRAND JURY

On July 23, 1990, twelve days after the sudden death of Gary Caradori, the Douglas County grand jury, formed in the wake of the DeCamp memo, issued its long-awaited report. A banner headline in the *World-Herald* trumpeted: "Grand Jury Says Abuse Stories Were a 'Carefully Crafted Hoax'."

The conclusions presented in the 42-page "Grand Jury Report," not to mention the pretentious language in which it discounted whole areas of the Franklin case, betray the deliberations of the jury, rather, as a carefully crafted cover-up. The grand jury gave opinions on a variety of matters.

The Douglas County grand jury cleared Larry King of child abuse:

> We found no credible evidence of child sexual abuse, interstate transportation of minors, drug trafficking or participation in a pornography ring by King or other Franklin officials or employees. To the extent that homosexual relations occurred involving such employees or officials, the evidence we were able to uncover showed these exchanges to be voluntary acts between persons above the age of consent.

Yes, Larry King had diverted credit union funds for his personal gain, but "it is our opinion that federal authorities are better able to pursue matters regarding this misappropriation of credit union funds, and we strongly recommend that they

continue to do so." And although "we also found probable cause to believe that King, on numerous occasions, used money or items of value to 'entice, inveigle, persuade, encourage or procure' men in their late teens or early twenties to engage in acts of prostitution with him, and, therefore, he committed the crime of pandering," the statute of limitations had run out on many of these acts, and "our ultimate decision was that to charge and try King with a class IV felony under state law when he is facing 40 felony counts in federal court [on financial charges only] would not be the best use of the resources of the Douglas County District Court, and again we have deferred to the federal prosecution."

So careful was this grand jury not to fritter public resources, that it did not even subpoena Larry King!

The grand jury explained away its failure to call King as a witness:

> Because King is presently in an institution out of the state pursuant to an order from the federal court, and because we believed he would rely on his right against self-incrimination . . . , we decided it would not be fruitful to attempt to require King to appear before us.

Whenever it did admit that abuse had taken place, the grand jury stipulated that none of it had anything to do with the Franklin Credit Union.

The grand jury indicted three people. First came Alan Baer, the department store heir, one of the five persons named in the DeCamp memo.

> We did have testimony from certain witnesses about sexual involvement with Baer. Evidence also showed that these witnesses received substantial amounts of money or other valuables in exchange for sex. . . . Therefore, we believe Baer committed the offense of pandering, and we have handed down an indictment against him for that offense.

However that may be, the grand jury added, "We have found no direct connection between Alan Baer and King or the Franklin Credit Union, other than limited social and business dealings."

Peter Citron, another of the five I named, appeared before the grand jury and was found to have had "inappropriate sexual contact with male minors," but again, "no connection has been found to link Citron with the Franklin Credit Union. . . ." Citron had already been indicted and convicted for these contacts in a separate court process.

The other two people indicted were the victim-witnesses, Alisha Owen and Paul Bonacci. These young people had suffered, admitted the grand jury, but that had nothing to do with Franklin: "We think that Owen might have been sexually abused during her early years, but not by the people and in the way she has alleged." As for Bonacci, "according to his testimony, he was a child victim of repeated sexual abuse by persons not associated with the Franklin investigation." Accusing them of lying to the grand jury during May and June of 1990, the jury handed down indictments against Owen on eight counts of perjury and against Bonacci on three counts.

Troy Boner and Danny King, the other two main witnesses taped by Caradori, recanted in the spring of 1990. The Douglas County grand jury made no mention of the fact that by retracting their testimony to Caradori, the two were saying that they lied to the Legislature, whose representative Caradori was.

The grand jury noted that in a May 1990 interim report, it had recommended "that the Washington County Attorney charge Jarrett Webb with third degree sexual assault of a minor," namely Nelly Patterson Webb. Where Nelly had reported organized abuse and prostitution, however, she was not to be believed:

> In early 1986, Nelly began to expand her allegations by charging that she had been taken by King on flights to other cities such as Chicago and Washington, D.C. where she was "put on display" at parties where sex and illegal drug activities took place. We interviewed a number of witnesses who traveled extensively with King, and a few made what must have been embarrassing admissions about engaging in sexual contact with King on some of these trips. However, no witness before the Grand Jury could confirm in any way that Nelly Webb or any other children were ever transported

> for any illegal purposes and we found no evidence to support these claims.

Addressing other dimensions of the Webbs' house of horrors, the grand jury offered its opinion that it was "unfortunate that so much time elapsed between the first allegations of abuse and the time that the last children were removed from the home." It then faulted Carol Stitt of the Foster Care Review Board for writing to the state attorney general so promptly about Loretta Smith's reports, instead of first making more inquiries on her own! But Attorney General Spire had "appropriately passed the information on to [Law Enforcement chief] William Howland," and any delays past that point must have been due to Howland's heavy workload, in the jury's opinion.

Loretta Smith, who testified before the grand jury, had "suffered more abuse and neglect than anyone should ever have to endure," but "the perpetrators of such abuse may never be known." In any event, "the Grand Jury found no evidence to substantiate any connection between King, or any Franklin personnel, and the alleged illegal activities described by the girl."

The grand jury report contained gratuitous pronouncements such as that "children do have the right to expect that *if they exhibit reasonable behavior,* they will not be abused." (Emphasis added.)

It casually mentioned that, according to the OPD, there were "over 500 known pedophiles in the Omaha area." (Since the U.S. Department of Justice estimates that a typical pedophile molests 77 children before he is caught, and most are never caught, a contingent of 500 pedophiles would be abusing thousands of children every year!)

One pedophile even

> caused us [grand jury members] to be greatly concerned. This individual, Robert W. Andresen, a white male, 6'5", 325 lbs., has been known to coerce males (including male minors) to his residence. Once he has taken a male there, he may sexually assault and/or pornographically photograph

> the young man. Furthermore, we have reviewed documents that state Andresen has threatened to physically harm his victim(s) and has threatened to search out and kill those who report him to the authorities.

Having painted that bloodcurdling portrait, the grand jury dismissed the matter with a wave: "Unfortunately, because the victims refused to testify against him, we could not indict." In reality, Andresen figured in the taped testimony of Troy Boner and Danny King to Gary Caradori, which the grand jury neglected to say.

The grand jury charged that the "hoax" was spread by certain "rumormongers"; among these, it named two child care workers, to whom the victims had begun to speak. In the opinion of the grand jury, "Perhaps never in the history of Douglas County has the discordant multitude played so feverishly upon the rumor pipe as in the allegations of sexual misconduct surrounding Franklin."

All those who had pursued the allegations, such as Senator Schmit and the Franklin committee, Senator Chambers, this writer, members of the Concerned Parents, and a free-lance journalist named Michael Casey, came under attack from the grand jury. But, in a striking variation from normal grand jury procedure—to either indict an individual or not to name him at all—this jury cleared, by name, all the prominent alleged abusers, including Judge Theodore Carlson, Harold Andersen, former Game and Parks Commissioner Eugene Mahoney, Omaha Mayor P.J. Morgan, and Omaha lawyer Thomas McKenney. As for alleged abuser Chief Robert Wadman, the jury observed, "We now look upon Owen as the perpetrator and Wadman as the victim."

According to the grand jury, one of the perpetrators did not even exist: "Owen repeatedly referred to a bodyguard and enforcer of King's nicknamed 'Larry the Kid.' We believe this muscular, black male, in his late teens or early twenties, to be a fictitious character." The report did not explain, how a fabricated personality could have appeared in reports from at least four different children over a period of three years. Loretta Smith told about a person named King Horse, who was at

parties and rituals she attended in 1985. Alisha Owen testified that Larry King's "henchman" was a black youth named "Larry (Lnuk)", also known as Kings Horses. Danny King said "Larry, Jr." was King's righthand man. And Paul Bonacci reported that a black man he called "Larry Little King" would carry out threats on Larry King's behalf.

Finally, the report insisted that there was no cover-up.

> There are citizens who believe that prominent individuals, allegedly associated with this case, are automatically guilty because of their public stature. They also believe that the public stature of these individuals allows automatic protection and the power to cover up situations. While we agreed that this was a possibility, our investigation found nothing to substantiate any of these allegations. There is no evidence of a cover up.

The Douglas County grand jury said it "spent the most time" and "the majority of our fact finding and deliberative effort," on refuting the videotaped testimony assembled by Gary Caradori. It concluded, "There is no doubt after reviewing all relevant evidence, that the story of sexual abuse, drugs, prostitution, and judicial bribery presented in the legislative videotapes is a carefully crafted hoax, scripted by a person or persons with considerable knowledge of the people and institutions of Omaha, including personal relationships and shortcomings."

With Caradori, as Senator Schmit put it, "conveniently no longer alive to defend himself," the grand jury insinuated that he had staged the tapes for personal profit:

> We have scrutinized Caradori's investigative techniques. In too many instances individuals Caradori interviewed were "fed" items of information. He led his witnesses and the videotapes were stopped and started at suspicious intervals with the substance of the witnesses' stories changing. Caradori stated that he thought it was his job to find the leads and it was someone else's responsibility to follow them up. We believe to the contrary. We think that Caradori stood to gain professionally and personally from the outcome. Caradori spent more time supporting the allegations rather

> than verifying the same. Caradori worked from a sensational base. If there appeared to be something that would be scandalous, he was interested in following it through. If it was just a routine matter, he was not willing to invest the necessary time or effort.

In October 1990, Karen Ormiston, the employee of Caradori's investigative firm who was with him at the videotapings, passed a polygraph test administered by Chris Gugas, a professional polygraph specialist from San Diego who was President of the National Polygraph Association. The questions to which she answered "no," were: "1. During Gary Caradori's interviews with the Franklin case victims, did he ever threaten anyone in obtaining information from them? 2. To the best of your knowledge, did Gary coach any of the alleged Franklin case victims on what they should say in their interviews? 3. Did Gary and you advise any of the four victims at anytime to fabricate their stories?" To the question, "Were all the statements given to you and Gary by the four Franklin case victims completely voluntary?" she answered "yes." Gugas concluded, "[I]t is the opinion of this examiner that Ms. Ormiston answered all of the above relevant questions truthfully."

One of Caradori's close associates said after his death, "We never thought these tapes represented more than a tiny part of the overall story. They are important, but the Franklin case has been turned into a debate on the tapes." The collaborator was talking about the investigation's reach into high political circles and into Washington D.C., but the point applies also to the use of the tapes themselves. The bad faith of the grand jury's dismissal of Caradori's work comes even more into relief, if contrasted with the reams of evidence in the investigator's files, which the grand jury apparently failed to consider. By no means satisfied with the taped statements as they stood, the meticulous Caradori listed, at the end of each interview precis, dozens of leads for follow-up and cross-checking. A small excerpt demonstrates his exhaustive investigative agenda:

> 6. Records from what was formerly Brandeis to determine the payment of the dress and teddy that Wadman bought Alisha.

7. The bartender who was present at the French Cafe when Alisha had lunch with Wadman.

8. The kitchen help who was employed at the French Cafe at the time that Alisha and Wadman had lunch there.

. . .

23. Fuel records for the private planes that Alisha took. This would indicate where the plane fueled up, especially on flights to the west coast.

24. David Hughes; a pilot named by Alisha as one of Larry King's favorite pilots.

Caradori did not trace through many of these leads, *because he died.* But the grand jury waved them aside.

The jury's report says that it "heard live testimony from 76 witnesses" in all. Caradori's notes on the Alisha Owen and Troy Boner tapes alone, list over 75 people to be interviewed during follow-up, not counting Alisha and Troy. Caradori's evidence, the originals of which occupy a whole locked room at the statehouse, comprise cross-indexed binders, boxes of files, hundreds of hours of audiotapes as well as the videotapes, and a list of 291 potential witnesses in all. The grand jury had a full set in its possession.

I do know, who from Caradori's potential witness lists was called before the panel, because I was one of the few people who ultimately had access to this information. I am forbidden from identifying these people.

As I have said, I believe that if the entire grand jury testimony could be made public, that would be in the public interest. I also believe that, if that were done, there would be a follow-up grand jury to investigate the original grand jury.

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The Grand Jury Report met with outrage.

Trish Lanphier, head of the Concerned Parents group, two of whose founders were denounced as "rumormongers" by the grand jury, blasted the indictment of Alisha Owen and Paul Bonacci: "This is a sick grand jury. Turning the victim into the perpetrator. This is so classic."

Phone calls against the jury's findings poured into a local TV station, as reported in the Omaha *Metro Update* of July 30: "The day after the grand jury report hit on Tuesday, July 24, an 'unscientific' viewer phone-in poll by Omaha television station KETV Channel 7 indicated 10-1 viewer dissatisfaction with the grand jury report. More than 3,000 responses were tallied."

The jury claimed—without having called me to testify—that I had "issued [my] memorandum for personal political gain and possible revenge for past actions against [me]." I filed a civil suit, charging that the jury's statements "were malicious, intentional, negligent and done in . . . violation of [my] clearly established constitutional and statutory rights."

Senator Chambers submitted a "Motion to Expunge" to the Douglas County District Court, accompanied by an 83-page supporting brief, which documented the jury's gross irregularities.

The legislative Franklin committee's official response to the jury's report raised a question which the jury had carefully left unanswered. "We assume from their choice of words—carefully crafted hoax," the Franklin committee said, "that the Grand Jury was persuaded that the testimony of the witnesses corroborated each other, and included facts and circumstances which were readily verifiable and attested to by other witnesses. Otherwise, it could not be logically deemed 'carefully crafted.' If it was carefully crafted, who crafted it and when?"

In addition, the committee observed, "Alisha Owen and Paul Bonacci are charged with perjury and Troy Boner and Danny King are not. As we see it, the victims who stand by their story are charged with perjury, while those that have admitted to false statements before the Committee [in the videotaped testimony] are not. That makes little sense to us. Either all of them should have been indicted or none of them. The message is mixed and appears to favor encouraging the recanting as a way to avoid the hazards of criminal prosecution. It also tells persons they can lie under oath to Legislative Committees, so long as they change their story before they get to court."

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The *Omaha World-Herald,* whose society columnist Citron stood convicted of child molestation while its former publisher, Andersen, was whitewashed in the grand jury report, leaped to the jury's defense. "Grand Jury Did Its Job; The Insults Are Intolerable," blared its lead editorial on July 29, 1990.

> Rumors of wrongdoing and coverup in the Franklin case were rampant last winter. Based on the conclusions of the Douglas County grand jury, it now appears that the rumors resulted from the fantasies of liars, hoaxers and opportunists who wanted to pay back their perceived political enemies.
>
> Because of the rumors last winter, however, the faith of much of the public in its institutions was shaken. At one time, there seemed no way to determine the truth.
>
> How fortunate Nebraska was to have the grand jury system to help it get to the truth.
>
> Now, however, the grand jury system itself is under attack. The grand jurors who constituted the Douglas County body are being insulted. Doubts are being cast upon their integrity.

The barrage continued, with an August 2, 1990 *World-Herald* editorial, "Schmit Panel Can't Duck Responsibility in Hoax":

> Loran Schmit is frantically rewriting history as he urges the public to believe that his Franklin committee doesn't deserve the criticism it was given by the Douglas County grand jury. . . . Senator Schmit, you and other people connected with the committee haven't been putting evidence together properly since the day committee investigator Gary Caradori made the videotapes that became part of the Franklin story. . . . Schmit clearly had his mind made up on the credibility of many of the stories on the videotapes. By June, still sticking by his view that the stories were believable, he was insinuating that "money is being spent" to block the indictments of prominent people. The more such statements were repeated, the more some Nebraskans believed the wild

tale of a sex-and-drug ring and cover-up involving Omaha individuals and institutions.

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The *World-Herald* evidently hoped that the "wild tale" about prostitution and a cover-up had been laid to rest by the grand jury. The more that became known about that panel, however, the more obvious it was that the grand jury itself, guided by prosecutor Samuel Van Pelt, was adding to the cover-up, and had systematically leaked sensitive information, buried crucial evidence, and threatened witnesses.

In my opinion, never was a case of control and abuse of institutions of government and cover-up of crime executed more perfectly, than in the calling and handling of this grand jury.

A grand jury can be the best or the worst device to uncover crime. First, everything in a grand jury is supposed to be secret. Second, the prosecutor in charge of the grand jury can do about as he pleases, in presenting or screening information. If a corrupt or incompetent prosecutor is in charge, the result will correspond to his behavior.

Third, if the grand jury is controlled by corrupt forces, as I believe this one was, then they may use the grand jury as a means to find out what people know about the matter under scrutiny, by calling them as witnesses, without any of that information becoming public. Then such information can be used to assist in a cover-up. The so-called recantations of Troy Boner and Danny King appear to be a case in point.

Nebraska may have the worst laws in the United States, on the use of the grand jury system. They contribute to corruption and cover-up, rather than proper investigation and indictment. At an October 14–15, 1991 hearing in the 8th Circuit Court of Appeals in St. Paul, Minnesota, this fact was exploited by the Nebraska Attorney General's Office, which was defending Douglas County Prosecutor Van Pelt and the grand jury foreman in the Franklin case, Michael Flanagan, before a three-judge panel that was questioning them. The state's argument

was that the poor quality and ambiguity of Nebraska state laws on the use of grand juries at the county level should exempt the prosecutor and the foreman from responsibility for any errors or wrongdoing committed by the grand jury.

All grand jury testimony remains sealed. The evidence given here of the jury's role in the cover-up comes from the public domain; it is a fraction of the story.

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Concern that the grand jury was rigged arose even before it was chosen, just as soon as retired judge Van Pelt was named as special prosecutor for the Franklin case at the county level. On March 12, 1990, the *Lincoln Journal* ran a letter from 43 neighbors of the late Cairo, Nebraska farmer and political activist Arthur Kirk, in which they termed Van Pelt "a hired gun for the state." The group charged that Van Pelt had covered up the 1984 death of Kirk at the hands of a State Police SWAT squad, which they called murder. In that case, they wrote, "Van Pelt simply took the statements of the perpetrators, put them in his report and exonerated them of any wrongdoing. He did exactly what he was paid and hired to do."

Gross irregularities in Van Pelt's investigation of Kirk's death were noted by Senator Ernie Chambers and others at the time. The police, for instance, claimed that Kirk fired first. If he had, their claim to have fired in self-defense might have held water; yet no ballistics tests were done to see if Kirk had fired his weapon at all! Kirk's wife charged that she had been used by the state police to lure Kirk out of his house, so he could be gunned down. "I came to realize that they had used me against my own husband. I had been used as a decoy," she was quoted in Lindsey Williams' 1987 book, *Where's the Food?* Despite glaring contradictions in the SWAT team's story, Van Pelt found that the police had acted in self-defense.

The *World-Herald* retaliated against the Cairo citizens' letter, with an all-out defense of Van Pelt. The March 17, 1990 lead editorial, "Van Pelt's Report on Kirk Followed the Evidence," lamented, "The sad fact of the matter is that some

people cling to wild, sensational rumors and conspiracy theories even in the absence of any rational basis."

• • •

Van Pelt's behavior during the Franklin grand jury was no rumor, but a matter of record. Three people who testified before the grand jury—Paul Bonacci, Alisha Owen, and a young woman called "Jane Doe"—subsequently charged that Van Pelt intimidated them and attempted to force them to change their testimony.

Paul Bonacci testified before the Legislature's Franklin committee on October 16, 1990, about his grand jury experience.

> BONACCI: And the other thing is they kept saying when I was in front of the—that—some—that jury or whatever, they kept telling me to—that if I stuck to my story they were going to make me be in trouble for it.
>
> SENATOR SCHMIT: Who said that?
>
> BONACCI: It was some guy with a—it wasn't in front of everybody, it was when I was getting ready to be taken back upstairs before lunch. They stuck me in this room. He was sitting in this back room behind this desk. He was one of the guys that kept asking me questions.
>
> BEVERLY MEAD (Bonacci's doctor): Well, could you identify this particular man who in—describe him or—
>
> BONACCI: Yeah. He was—had a mustache and I don't know if he had glasses or not. . . . He was the guy mainly in charge. . . .
>
> MR. DECAMP (Bonacci's attorney): What did he say to you?
>
> BONACCI: He kind of told me if I just—he said—he kind of said, if you stick to the same story that you have been telling, you will be in a lot of trouble.

The guy with the mustache was Sam Van Pelt.

On June 11, 1990, Alisha Owen testified to the Franklin committee about what happened when she went before Van Pelt's grand jury.

LEGISLATIVE COUNSEL: First of all, do you have any comment at all about the grand jury and you can—that you would like to tell us without violating your oath to the grand jury?

ALISHA OWEN: It was the hardest three days of my life almost.

COUNSEL: Well, now wait a minute. You've been sexually abused, you've been put into a narcotics situation, you have been in a mental hospital, you have attempted suicide, and you are saying that your appearance before the grand jury was—was more difficult than that, is that correct?

OWEN: It was more exhausting, yes. I would go home and be exhausted. Exhausted.

COUNSEL: I am going to ask a leading question. Were you humiliated, denigrated, degraded, put down?

OWEN: Yes. . . . I met with them on a Monday and that was just a very short meeting. And then I met with them on a Tuesday, Wednesday and Thursday. That Wednesday I was humiliated, I was put totally on the defense. Totally put on the defense.

COUNSEL: By whom?

OWEN: By I call him the jerk at the end of the table. I believe his name is Dougherty. . . . I have not seen prosecutors do that in a courtroom the way I was—I was done. I was angry, I was upset. I did not deserve that.

COUNSEL: Your voice is cracking and you are tearing up a little. I am going to stop and ask [Owen's attorney] Mr. Rosenthal a question. . . . Henry, did you feel that you were given an adequate opportunity to protect your client during the grand jury proceedings?

ROSENTHAL: Well, I was to the extent that I was allowed to. You see, in my opinion they just never asked her any questions at all. . . . And I think at one time, without getting into it, they asked her do you want to say anything? She says, I'm sorry you never got to the point in three days. It was always go around the circle and it was always accusatory more than trying to get the facts out and let the chips fall where they may. They never gave her an opportunity to go into them, you see.

Although the grand jury was to indict Owen for saying she was sexually abused by Omaha Police Chief Robert Wadman in 1983 and 1984, she said they asked her virtually nothing about those years, about the abuse, or about her detailed description of Wadman's physiognomy.

> OWEN: I—you know, as I said before, they never talked to me about 1983 and 1984. They don't even know what happened. They—they send me into this grand jury, they are calling me a perjurer and they have never even asked me what happened. And when—it's kind of hard for me because I want people to know I'm telling the truth, and sometimes some of the things that you have to tell them about what happened or about the perpetrators is difficult. And it would be, I think, a gross injustice if that evidence was suppressed.
>
> The fact that I know about the bunion or the knot on his little toe and he has hair on his toes, you know, I can tell you exactly how the hair patches on his feet are, it would be a gross injustice if that was suppressed in the grand jury. I think that would—that would be absolutely a crime. Because in the United States today when it comes to those kinds of cases, a lot of times the only way that a victim can actually prove that they were abused is by identifying key marks on that person's body that no one else would know.
>
> A way to call me a liar and a way to say she's not telling the truth would be to suppress that, would be not to watch—I made you a tape describing Rob's body. For the grand jury, I consider that a key piece of evidence. For that to be suppressed I think is a crime. I think that that is willful, knowledgeable suppression of evidence. And to have that done by a prosecutor, I think that's a crime and that's a deliberate cover-up.

Jane Doe recorded her anger with the grand jury in a taped interview with Senator Ernie Chambers, reported on in the *Nebraska Observer* of August 31, 1990:

> She was left with the overwhelming impression that the Grand Jury had wanted only that part of her testimony that might be useful to discredit Alisha Owen. Later, she was to receive phone calls from a male saying she talked too much.

> Since she had moved several times since her partying days, and except for phone calls right after being investigated by the FBI, had not had any such phone calls, she believed that someone connected with the Grand Jury was giving out information.

Jane Doe charged that the grand jury was simply a set-up:

> "Then the fact is also, about half way through my testimony, in front of the Grand Jury, it was, it got to a point where I didn't even trust them. Because of the fact that they did not want to know about Alisha or any of that type of stuff." . . .
>
> According to Jane Doe, Van Pelt told her how to testify and why, revealing information about the Grand Jury proceedings that others had been charged to keep secret. . . . Van Pelt was said to make some references to Jane Doe's past, including some illegal activities that were blocked out of the transcript, that could have been interpreted by her as a threat to her. She said in the interview, "there were some things that I had done in my past that I was afraid he was going to charge me with. . . . Basically he was using me as, like a *dummy witness* because he had figured out that I didn't have or know about any of the information that the Grand Jury was dealing with. . . . So it just seemed to me like *he was going to use me to discredit Alisha*." [Emphasis in original.]

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Bonnie Cosentino, a grand jury witness pilloried as one of the "rumormongers," also contacted Senator Chambers to register a complaint. A co-founder of the Concerned Parents group, Cosentino told Chambers she was repeatedly harrassed by Van Pelt's assistant Terry Dougherty outside the jury room. The jury's sole interest, it seemed to her, was to tie her to Michael Casey, a journalist whom the grand jury was to build up as an orchestrator of the "carefully crafted hoax."

Cosentino wrote in her open letter to Chambers, printed in the Omaha *Metro Update:*

> Numerous questions asked by Mr. Van Pelt and Mr. Dougherty, seemed to be accusatory and began with phrases like, "Did you tell Carol Stitt . . . " (Foster Care Review Board) and "Did you tell Jerry Lowe . . . " (former Franklin investigator). I found myself on trial for reporting leads to the proper authorities.
>
> I was questioned relentlessly about Michael Casey, who seemed to be the focus of Mr. Van Pelt's prosecution. I had only met Mr. Casey on two occasions, neither of which were interviews. Mr. Van Pelt and Mr. Dougherty seemed to try over and over again to form some relationship between myself and Mr. Casey which simply did not exist.

Senator Schmit recalled his own appearance before the grand jury, during a Franklin committee hearing on June 21, 1990:

> And it's also sort of interesting, of course, I appeared before the grand jury. I had about 25 minutes for a statement the first time, and they had about that many questions. Mr. Van Pelt said they didn't have any further need for my appearance up there. And I thought that was sort of strange in view of the fact that we spent a year and a half at this, we have spent hundreds and hundreds and hundreds of hours, and [the Franklin committee] could answer all their questions. And I might, without revealing anything that was asked, might add that most of the questions that were asked of me, I think [Franklin committee counsel] Mr. Berry is here, had little or nothing to do with the scope of the investigation.
>
> And the second time around, when I appeared at my request, it was more of the same. And it's a rather disappointing situation when you realize that if you are hunting for something and you do not look where you know the evidence is, you're not going to find it.

In my civil suit, I charged that Van Pelt and Dougherty had even participated in *writing* the grand jury's final report, a practice forbidden by Nebraska law. Jury foreman Michael Flanagan admitted their involvement, as the *World-Herald* reported on August 21, 1990:

> Flanagan emphasized that the grand jurors participated equally and actively in the writing of the report, dividing the

writing into small groups and then meeting again and again as a whole to "polish and polish" the text.

He said the special prosecutor, Samuel Van Pelt, and his assistant, Terry Dougherty, did not have a disproportionate amount of influence on the writing.

"He (Van Pelt) was with us and he was part of it," Flanagan said. "I'd say he was one-eighteenth of the writing. Everybody had equal chance and equal opportunity. It was a completely joint effort."

The grand jury explained that its failure to subpoena Larry King was due to the probability that King would have invoked his Fifth Amendment right not to incriminate himself. In other cases, it was fine with Van Pelt to call witnesses who would take the fifth, as he indicated to Jane Doe in the exchange reported by the *Nebraska Observer:*

> On the return trip home, Mr. Van Pelt told Jane Doe about the "easy day" coming up the next day. When she asked why, he disclosed to her that the witness would "plead the Fifth." She said, "He told me that he was a homosexual and that he had sex with little boys. And that they would indict him on that, so the fact is that he had to plead the Fifth so he would not get indicted." Van Pelt said it would be an easy day "because he wouldn't have to do anything," except "just sit there and listen to those guys plead the Fifth throughout the questions." . . .
>
> That exchange, in addition to consisting of inappropriate disclosure by Mr. Van Pelt, is *in sharp contrast to the Jury's refusal to subpoena Larry King,* "because . . . he would rely on his right against self-incrimination," and therefore, "it would not be fruitful to attempt to require King to appear before (the Grand Jury)." [Emphasis in original.]

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Van Pelt's treatment of Jane Doe caused such a public outcry, that Douglas County prosecutor Ronald Staskiewicz felt compelled to conduct an investigation. He appointed Douglas County Assistant Attorney Robert Sigler. Sigler was very fa-

miliar with the Franklin case; he was the prosecuting attorney when Alisha Owen was sentenced to five years in prison for passing $700 in bad checks. He had handled the child molestation trial of *World-Herald* society columnist Peter Citron. After Citron's conviction, Sigler maintained that the Citron case had never been linked with the Franklin investigation "in the beginning, middle, or end. That's not what this case is about." He told the *World-Herald*, "It had nothing to do with Franklin, the evidence uncovered didn't show any link. That's a big misconception."

Neither was Sigler disqualified from responsibility to probe Van Pelt's performance, by the fact that two witnesses to the Legislature's Franklin committee witnesses had placed him in the Franklin case!

On June 10, 1990, Karen Ormiston interviewed one Alice Good*, who had information on pornography and prostitution. Ormiston recorded, "The subject feels that a Douglas County prosecuting attorney identified as Robert Seigler [sic], nicknamed 'Smiley,' is involved with the Franklin case."

Paul Bonacci was more specific, in testimony given to the Franklin committee on June 12, 1990.

> BONACCI: With Larry King I've traveled a lot of times to Kansas City, and that was usually by car. But we used to go up to Sioux City, Iowa and we used to take a—there was a chartered plane. It was called KAM Air or something. And they used to fly us up to Sioux City and we'd stay at a hotel that was right on the river. And he had a boat and stuff we used to go on all the time. And he—we used to go up there for having sex and stuff. . . .
>
> SENATOR LYNCH: Were some of the people you met there from the Omaha area, do you remember that?
>
> BONACCI: Yes.
>
> LYNCH: Do you remember some of their names at all?
>
> BONACCI: Joe Caniglia. Guy named Robert Siegler [sic]. Alan Baer was there.

Before he joined the Douglas County prosecutor's office, Sigler had worked for an Omaha law firm, where he handled

the legal affairs of Charlie Rogers, a former lover of Larry King who died an apparent suicide in 1989. In the days before his death, Rogers told friends that he was very afraid of what King would do to him, and that if anything happened to him, to contact Robert Sigler. The Douglas County grand jury said it "spent a considerable amount of time investigating all aspects of Rogers' death," but concluded it had nothing to do with Larry King. Sigler's friend and associate in the law firm, Gerald Moran, later also joined the Douglas County attorney's office. In 1991, he ran the prosecution of Alisha Owen for perjury.

Sigler promptly reported back to Staskiewicz, that Van Pelt had done nothing wrong.

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From the outset, Paul Bonacci presented a huge obstacle for the Douglas County grand jury. Since Bonacci refused to recant what he had testified to Caradori, Van Pelt's jury was compelled to indict him for perjury, in order to maintain that the story of Franklin-connected abuse was a carefully crafted hoax.

It was difficult to see how Bonacci could have participated with Owen in the fabrication of such a hoax. Caradori did not even meet him until May 10, 1990, and took his videotaped statement for the Franklin committee on May 14—five days after Owen finished testifying before the grand jury. Bonacci's recollections corroborated Alisha's on many points, although he told Caradori that he thought the last time he had spoken with her was in 1986.

Since his testimony supported Owen's, the grand jury had to call Bonacci a liar:

> Bonacci was perhaps the most pathetic witness to appear during the entire proceedings. . . . He has been diagnosed as having multiple personalities, and his psychiatrist doubts that he can tell the truth. His many inconsistencies and contradictions render his testimony unbelievable and necessitate his indictment for perjury.

This tortured formula contained not one, but two contradictions. Obviously, a person who was medically incapable of

telling the truth could not also be guilty of perjury, or deliberate lying under oath. The second error, however, was to cite the alleged opinion of "Bonacci's psychiatrist," who did not appear as a witness before the grand jury. It was a stretch even to apply this label to doctor in question, Dr. Beverly Mead, since he examined Bonacci on behalf of the Omaha Police Department. But where Dr. Mead did testify, before the Franklin committee, he said he believed Bonacci to be telling the truth!

Dr. Judianne Densen-Gerber, New York-area psychiatrist, lawyer, child abuse expert and member of the International Society of Multiple Personality and Dissociative States, has described the ailment Bonacci suffers from, Multiple Personality Disorder (MPD). It is not a psychosis, she said, but a neurosis, that results from a defense mechanism in the mind of a child seeking to protect himself from "unimaginable atrocity." Virtually all MPD victims were severely abused starting before they were six years old, with tortures such as being hung upside down and having hot objects stuck inside them, or being forced to participate in the murder, mutilation and cannibalism of other children. A child subjected to such terrible emotional and physical pain has no possibity of escape from this "emotional Auschwitz," so his mind, in self-defense, invents another identity at the moment of abuse and suffering. Through this mechanism, the child victim can imagine he is someone else, looking at the pain and betrayal from the outside, as if it were not actually happening to him. As the victim grows older, these different personalities survive in the victim's mind, each having its own age, name, memories and characteristics.

Multiple Personality Disorder is familiar to many people from Flora Rheta Schreiber's book *Sybil,* about the first MPD victim who ever reintegrated her personality through psychoanalysis. "Sybil," tortured since infancy by her mother, first sought a psychiatrist's help as a young woman in Omaha, Nebraska.

Invited to Omaha by the Legislature's Franklin committee, Dr. Densen-Gerber testified on December 29, 1990 about her examination of Paul Bonacci. She was questioned by committee counsel Robert Creager.

CREAGER: Doctor, I believe the grand jury actually went so far as to pin their conclusion on a "fact" that according to testimony Mr. Bonacci was not capable of telling the truth. Do you have a comment on that?

DENSEN-GERBER: I think it would be very difficult for Mr. Bonacci to lie. . . . Being a multiple personality there is no need to lie, you switch [personalities]. . . . First of all, Mr. Bonacci's story is an average story for someone in Mr. Bonacci's circumstances. There is nothing that Bonacci told me that I haven't heard from other patients or individuals. He has no elaborations and he often says I don't know. He does not fabricate or he does not try to provide answers which most people do because they want to please. He doesn't even give you the impression that he wants to please.

Police-hired psychiatrist Dr. Beverly Mead concurred, when he answered questions from senators and Bonacci's attorney, this writer, at an October 1990 hearing before the Franklin committee.

DECAMP: What do you believe now, Doctor, relative to his discussions here that we've heard and the ones you and I have listened to?

MEAD: I personally feel that these details that he's related to us were experiences that he really experienced. . . .

SENATOR SCHMIT: I have several questions of Dr. Mead. Doctor, we heard the witness in various personalities mention some specific names of persons who were with him at various times, Larry King, Robert Wadman. . . . In your professional experience, is there—how do you—I guess my question is do you feel those descriptions are accurate?

MEAD: I would like to see them confirmed from other sources, of course. But it's—it's my present impression that Paul is—or [personality] Alexandrew is reporting things honestly as he remembers them.

SCHMIT: Is there any way that he could have imagined this and dreamed it up and then told it to us here today? Could that have been done?

MEAD: It would be a most phenomenal trick to do that. I don't think it would be possible. I think he's talking about

things that he actually remembers. . . . In our effort to remember something, sometimes we may say, well, I think so-and-so, and as we think about it we come to believe it. So there might be a few details that are not precisely as happened. But I think basically the story as he tells it is what he is honestly reporting.

SCHMIT: For example, the story about his trip to the South-fork ranch [with Larry King, during the Republican national convention, to be sexually abused], do you believe that story?

MEAD: Yes.

Finally, the credibility of Paul Bonacci is bolstered by his own action in April of 1986, *two years before there was a Franklin case*, when he reported to the Omaha Police Department and to officials of his high school, that he was abused by Harold Andersen, Larry King, Alan Baer, and others. Henry Rosenthal, then Bonacci's attorney, spoke to the Franklin committee about this on June 21, 1990.

ROSENTHAL: I talked to his people at school, you know, because I—I had some severe doubts about this fellow telling me about that. But his problem—one day he went kind of outer space in school and they thought it was drugs and it really wasn't. This stuff was really starting to work on him. He just did not want to recruit anymore for Mr. Baer.

SENATOR LABEDZ: He told us that.

ROSENTHAL: But I talked to the school officials. You are talking about assistant principal at school, how many people, 4,000 students. I talked to his head counselor and they said it's absolutely true. They phone the police department and said he's in the hospital, are you going out to interview him? "No, we have closed the case." When he mentioned those prominent people, those people [school officials] told me you could just see like they closed their eyes and their books and was gone.

THE CREDIT UNION

Lawrence E. ("Larry") King, manager of the Franklin Community Federal Credit Union.

The former headquarters of the Franklin Credit Union, in north Omaha.

The rear of the Franklin Building. Credit union employees reported that King had a bedroom built into the lower level, for afternoon trysts with homosexual lovers.

Larry King's house at 2071 Wirt Street, the address that abuse victim Loretta Smith gave Officer Carmean in 1988, as a location of drug and sex parties.

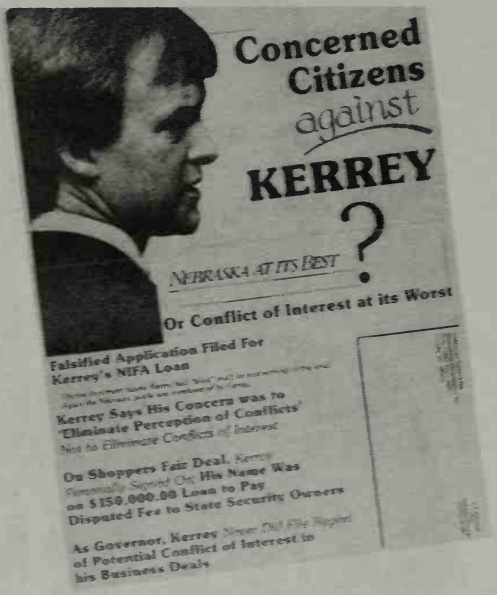
Caporaso Corp.

Alisha Owen on her way to a court appearance.

Caporaso Corp.

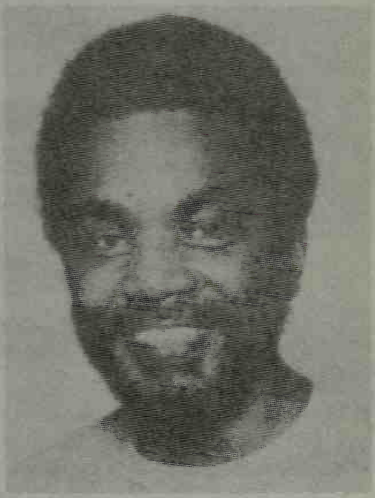
Paul Bonacci in prison.

Governor Bob Kerrey of Nebraska, now a U.S. Senator and presidential candidate, signing a bill in 1986. Directly behind Kerrey is state Senator John DeCamp, then head of the Legislature's Banking, Commerce, and Insurance committee.



A broadside issued in 1988 by Concerned Citizens for Responsible Government, Inc., which investigated Kerrey's role in the collapse of Commonwealth Savings and his preferential treatment of State Security and other institutions owned by his associates. The governor's 1983 press conference about Commonwealth's difficulties triggered the run on the bank.

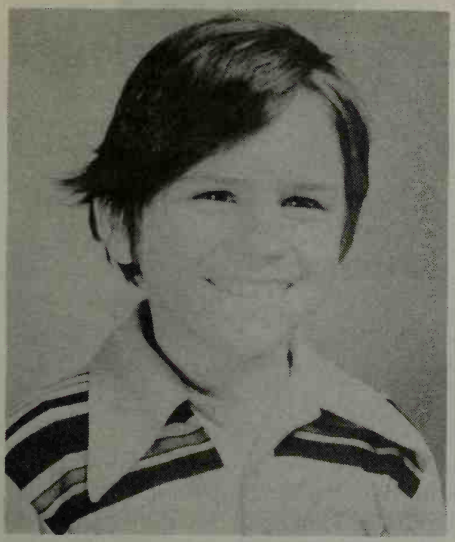
Senator Loran Schmit, chairman of the Nebraska Legislature's Franklin committee. A farmer and a 23-year veteran of the Legislature, Senator Schmit persisted in the Franklin investigation, despite vilification of him in the press, death threats, and attempts to ruin him financially.



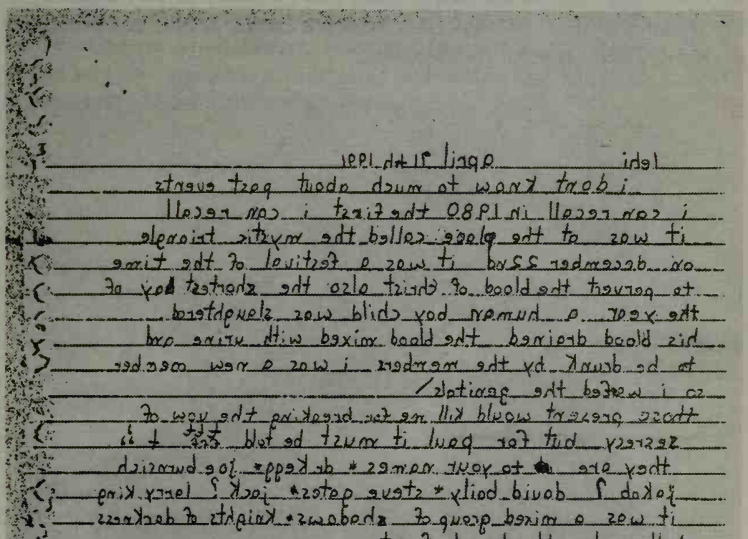
Senator Ernie Chambers, who co-initiated the legislative probe of the Franklin scandal.

The late Gary Caradori, investigator for the Legislature's Franklin committee, with his airplane. He and his eight-year-old son, A.J., died when it crashed on July 11, 1990. "There were a lot of people who wanted to see Gary dead," said Senator Schmit that day.

PAUL BONACCI



Paul Bonacci as a child. He was abused beginning at the age of six.



Lebi April 21th 1991

i dont know to much about part events
i can recall in 1980 the first i can recall
it was at the place called the mystic triangle
on december 23rd it was a festival of the time
to perpet the blood of Christ also the slaughtered boy of
the year. a human boy child was slaughtered
his blood drained the blood mixed with urine and
to be drunk by the members i was a new member
so i wated the genitals/
those preists would kill me for breaking the vow of
secrecy but for paul it must be told ~~the~~ it is
they are to your names * de Kegge * joe burnish
jokab J david bonly * steve gators * jack J larry king
it was a mixed group of shadows * knights of darkness
both under the temple of set

A letter written by one of Paul Bonacci's personalities, who experienced Satanic cult activity and only writes backwards. If held up to a mirror, it can be read in the reflection.

Dr. Judianne Densen-Gerber, New York-area psychiatrist, lawyer, child abuse expert and member of the International Society of Multiple Personality and Dissociative States. She interviewed Paul Bonacci at the request of the Senate Franklin committee, and testified that "it would be very difficult for Mr. Bonacci to lie." She has cited evidence known to her, corroborating several of Paul's specific recollections.

Caporaso Corp.

Dr. Beverly Mead, psychiatric consultant to the Omaha Police Department, examined Bonacci for the OPD and was the first to diagnose his Multiple Personality Disorder. Mead has said many times, that Paul is telling the truth.

THE GRAND JURY AND THE *OMAHA WORLD-HERALD*

WEDNESDAY

Omaha World-Herald

25¢
Nebraska Edition

Grand Jury Says Abuse Stories Were a 'Carefully Crafted Hoax'

Three Indicted; Many Rumors Are Debunked

By Robert Dorr
and Gabriela Stella

Schmit Rejects Report, Defends His Committee

By Henry J. Cordes

The Omaha World-Herald *front page of July 25, 1990, two days after the Douglas County grand jury indicted the Franklin victim-witnesses, trumpets its "hoax" conclusion. The front-page pictures highlighted Senator Schmit, Alisha Owen, and multi-millionaire socialite Alan Baer. Named by Franklin victim-witnesses as an abuser, Baer was indicted by the Douglas County grand jury for "pandering" unrelated to Franklin. He pleaded guilty to a lesser charge, paid a $500 fine, and went free.*

Roller-Coaster Ride in Public Eye Cost Too Much, Wadman Says

By Robert Dorr

After the Douglas County grand jury redefined "Owen as the perpetrator and Wadman as the victim," the World-Herald *labored to repair former Omaha Police Chief Robert Wadman's reputation. This feature appeared November 18, 1990.*

Sunday World-Herald

Editorial Page

Unsigned articles are the opinion of the World-Herald

Grand Jury Did Its Job; The Insults Are Intolerable

Rumors of wrongdoing and coverup in the Franklin case were rampant last winter. Based on the conclusions of the Douglas County grand jury, it now appears that the rumors resulted from the fantasies of liars, hoaxers and opportunists who wanted to pay back their perceived political enemies.

Because of the rumors last winter, however, the faith of much of the public in its institutions was shaken. At one time, there seemed no way to determine the truth.

How fortunate Nebraska was to have the grand jury system to help it get to the truth.

Now, however, the grand jury system itself is under attack. The grand jurors who constituted the Douglas County body are being insulted. Doubts are being cast upon their integrity.

Loran Schmit, the chairman of the Legislature's Franklin committee, said: "In this case, it would appear to me that the grand jury tried the case. I think they went far beyond their responsibilities. If in fact there was a hoax, they have determined that with inadequate testimony."

Trish Lanphier, a co-founder of the Concerned Parents group, said: "This grand jury report is chock-full of flaws, it's chock-full of opinion, it's chock-full of innuendo with absolutely no factual backing." Referring to the grand jury's special prosecutor, she said the report "is Sam Van Pelt's opinion, and that's all there is to it."

These insults are intolerable.

Grand juries aren't for sale. They are the voice … to the people. … the last best voice, of … time of impassioned … Attorney General … of the …

… and three alternates. Its foreman, Michael Flanagan of Omaha, said of his fellow grand jurors: "It was uncanny, the cross section we had. I don't know of any sector of the community that wasn't represen… the grand jury." … from …

… and other … deal more effectively with … Spire said. "The great detail in their report, I think, demonstrates the ac… of this group." … General rejected the … can be led or … conclusion.

26 Thursday, August 2, 1990

Omaha World-Herald

Editorial Page

Unsigned articles are the opinion of the World-Herald

Committee Rushed to Judgment

Schmit Panel Can't Duck Its Responsibility in Hoax

Loran Schmit is frantically rewriting history as he urges the public to believe that his Franklin committee doesn't deserve the criticism it was given by the Douglas County grand jury.

During an Omaha radio talk show Tuesday, Schmit gave his committee credit for uncovering "the Franklin mess." Referring to what he said were the committee's continuing plans to receive "evidence" and to "put it together properly and deliver it to the proper authorities," he said: "I have not yet deviated from that and I'm not going to."

Senator Schmit, you and other people connected with the committee haven't been putting evidence together properly since the day committee investigator Gary Caradori made the videotapes that became part of the Franklin story.

The videotapes contained parts of interviews in which three young adults told Caradori an implausible, lurid story of child abuse, sexual exploitation and drug violations. Two of the three have since admitted that they lied; the grand jury indicted the third for perjury.

Leaks started soon after Schmit, in what would be instantly recognized as unprofessional conduct if it occurred in a professional criminal investigation, held a press conference and announced that the videotapes existed. He said he believed the stories.

Names of prominent Omaha men became the subject of rumor and speculation. John DeCamp, a long-time associate of Schmit who later bragged that he had crafted one of the resolutions that established Schmit's committee, came out with a memo in which he said "the most powerful and rich public personalities of the state are the central figures in the investigation."

DeCamp named … said were …

would "take no responsibility for the gossip and rumors." They claimed that the committee had "maintained its investigative files . . . with adequate security to prevent unauthorized access." To do otherwise, they said, could result in "innocent persons being smeared." And they said they didn't have "the responsibility of making determinations about the sufficiency of the evidence."

That is what they said. But almost from the day Schmit gloatingly announced the existence of the videotapes, the chairman and other committee members have been publicly expressing judgments, saying they found the stories on the videotapes to be believable and expressing frustration that authorities hadn't filed criminal charges.

The other day we listed examples of Schmit's irresponsible rush to the judgment that the witnesses were credible. Here are other examples:

By April, after two of the "victim-witnesses" told federal investigators they had lied to Caradori, Schmit was still urging the public to believe the stories. Commenting on the recantations, he said: "I don't know if the witnesses are telling the whole truth or part of the truth, but they appear credible to me."

He said that "our sympathies have been with the victims of the alleged crimes, not the alleged perpetrators."

It turns out that more than sympathy may have been extended. Attorney Pamela Vuchetich, who represented the three young adults and still represents one of them, says that Caradori furnished food and lodging for two of the three for part of the winter and that he expected to be reimbursed by the committee.

able, he was insinuating that "money is being spent" to block the indictments of prominent people.

The more such statements were repeated, the more some Nebraskans believed the wild tale of a sex-and-drug ring and cover-up involving prominent Omaha individuals and institutions. The more innocent people were harmed. National news organizations helped spread the libel outside Nebraska.

How ironic it was Saturday when the committee attempted to knock down the grand jury's conclusion that the Caradori videotapes were a carefully crafted hoax and that Caradori's methods were flawed. The committee said the people on the videotapes had been asked to state their allegations under oath and to affirm that they hadn't been threatened or offered inducements for their stories.

"The committee could not reasonably have done anything more," its statement said.

Yes, it could have done more. Just a day later, Schmit acknowledged a major flaw in Caradori's procedure. Schmit said he wished that the three people who told the videotaped stories had been given lie-detector tests.

The senator, of course, was finally right. But by then the damage had been done.

Friday: The Franklin Leaks

The World-Herald *used cartoons to amplify the grand jury's charges that the Franklin accusations were a "hoax" based on "rumor." Its editorials heaped abuse on the Legislature's Franklin committee for pursuing the investigation.*

THE AK-SAR-BEN CROWD

The exclusive Ak-Sar-Ben club, comprised of the leading figures in the Omaha business community, flaunts its bizarre rituals in its own publicity material. A 1967 book on Ak-Sar-Ben by Arvid E. Nelson, Jr., commissioned by the Ak-Sar-Ben Board of Governors, displayed this picture of a 1923 Ak-Sar-Ben festivity, showing male Ak-Sar-Ben members dressed as Egyptian dancing girls.

'They Give to Omaha, State'

12/9/90

'Ak Knights Don't Control City'

The writer is chief executive officer of ConAgra and chairman of the Ak-Sar-Ben Board of Governors.

By Charles M. "Mike" Harper

In recent days, Mayor P.J. Morgan has made numerous comments regarding the possible sale of Ak-Sar-Ben. There is one specific statement made by the mayor that was intermingled with other emotion- and headline-grabbing comments that I would like to address.

Morgan said, "Frankly, I am sick and tired of a small handful of people who think they can control this city and county without regard to feelings, sentiments and desires of the honest, hard-working people who are the real foundation of this community."

I am puzzled by this comment because from all I have heard and read, I think it is safe to assume that the mayor is talking about the Ak-Sar-Ben board and councillors. The Knights of Ak-Sar-Ben don't control this city. They give to this city and state, and have done so for 86 years.

The members of the board and council don't need a pat on the back, but most assuredly they don't deserve a slap in the face.

Let me take you for a moment on a journey through Omaha and the state. This journey probably won't grab headlines, but I believe it is one that the ---ens of this city

> The Board of Governors and councillors of Ak-Sar-Ben 'don't need a pat on the back, but most assuredly they don't deserve a slap in the face.'

City Roundup Parade. The River City Roundup festival is a tremendous city and statewide event tying all of Nebraska together. The Knights of Ak-Sar-Ben began it and continue to be major supporters.

On our journey, the River City Roundup Parade goes right by the Orpheum Theater, a theater that was all but dead until the Knights of Ak-Sar-Ben stepped forward to help in its renovation.

We continue southward now on our journey to the Henry Doorly Zoo, one of America's most outstanding zoos. It, too, was almost dead when the Knights of Ak-Sar-Ben contributed a half-million dollars to get it back on its feet.

The journey continues south, and we see such places as Fontenelle Forest, Bellevue College and Offutt Air Force Base ... all three have been beneficiaries of Knights of Ak-Sar-Ben support.

"---vue College reminds me of ---we head to yet another --- has received

In this December 9, 1990 World-Herald *article, the Ak-Sar-Ben Board of Governors chairman, ConAgra CEO Mike Harper, defended the organization.*

THE GOLDE

Ak-Sar-Ben's 9

Susan and Mike Walsh with Clayton Wagonsell.

by Susan Kahlmann
Metro Monthly

Commemorating the Spanish explorer Coronado's 1541 expedition to this area in search of gold and the land of Quivira, a crowd of about 4,400 gathered Saturday, Oct. 19, to celebrate the 450th anniversary of "The Golden Discovery."

The 95th Ak-Sar-Ben coronation ball, which featured a reenactment of the event by performers from the Benny Gifford Onshore's Theater, was highlighted by the presentation of Eugene T. Mahoney and Mary Elizabeth (Lisa) Yanney, daughter of Mr. and Mrs. Michael B. Yanney, as king and queen.

Marshall Faith was chairman of the 1991 ball committee.

Special recognition was conferred on a court of honor, comprised of Robert Armstrong, for his career in public service; Liz Campbell, for her achievement in the professions; Jack Maddox, for his contributions in agriculture; and D.B. Varner, for his achievements in education.

The practice of honoring four outstanding persons was begun in 1988, when the ball was returned as a scholarship fund raiser.

Entertainment included a laser light show and performances by the Salem Baptist Church Stepping Saints, directed by Phyllis Hicks, and the Inter-Tribal Dancers, representing the Santee Sioux, Ponca, Winnebago and Omaha tribes and directed by Frank LaMere.

Publicity chairman Nancy Wetzel said having the Native Americans participate was an honor because they don't perform often in public, although they were part of the governor's inaugural ball.

"The crowd really enjoyed both groups," Wetzel said. Their performances

Above, parents of the q
Julie Akulim.

Above, Ak-Sar-Ben's 95th king, Eugene Mahoney.

Sue Scott with her husband Walter.

This spread in the November 1991 Metro Monthly, *based on Ak-Sar-Ben publicity photos of its 95th coronation ball, showed Union Pacific Railroad chairman Michael Walsh and CEO Walter Scott of Peter Kiewit and Sons, the construction company, in attendance. The Union Pacific Foundation and the Kiewit Foundation were depositors in and contributors to the Franklin Credit Union. Wearing the crown and long train is former Nebraska Game and Parks Commissioner Eugene Mahoney, King of Ak-Sar-Ben for 1991. One of the most powerful politicians in the state, Mahoney was investigated by Gary Caradori.*

The Associated Press

The Andersens are greeted after the awards ceremony . . . From left, Mrs. Andersen, Andersen, Gov. Orr and Exon.

Nebraskans in D.C. Honor Couple

Harold, Marian Andersen Share Award

By David C. Beeder
WORLD-HERALD BUREAU

Washington — The Nebraska Society of Washington, D.C., presented its annual Distinguished Nebraskan award Monday night to World-Herald Publisher Harold W. Andersen and his wife, Marian B. Andersen, the first time the society has honored a couple for outstanding achievements.

"She is a remarkable lady," said Andersen of his wife, who is vice chairman of the American Red Cross. "She has succeeded in almost everything she has done that is doable."

Andersen said the recognition was to be shared with his colleagues at The World-Herald, where he started work as a reporter in 1946.

"Anything I have been able to do has been because I had the time and the support of the very competent staff members at The World-Herald," Andersen said.

Gov. Orr presented the award to Mrs. Andersen, a native of Lincoln. Sen. J.J. Exon, D-Neb., presented

Please turn to Page 14, Col

Plaque Replaced by Statuette Designed by Nebraska Native

WORLD-HERALD BUREAU

Washington — A bronze statuette of the Sower on Nebraska's Capitol, adopted this year for the Distinguished Nebraskan award by the Nebraska Society of Washington, D.C., was designed by Jean K. Newlin of Derby, Kan., a native of North Platte, Neb.

The statuettes, awarded this year to Harold and Marian Andersen of Omaha, replaced plaques awarded previously.

"It is my favorite symbol," Mrs. Newlin said in a telephone interview. "I have always wanted to do my own version of the Sower."

Mrs. Newlin, who attended public schools in Blair, Neb., is a graduate of Nebraska Wesleyan University in Lincoln.

She said she operated an art studio in Lincoln before she moved to Kansas with her husband, a teacher in the Mulvane, Kan., public school system.

She said she has been creating silver jewelry, as well as sculpture, in her new studio in Derby, a suburb of Wichita.

The statue on the Nebraska Capitol was installed April 24, 1930. The late Lee Lawrie of Easton, Md., was selected to scupt the statue by Bertram Grosvenor Goodhue, the Capitol architect.

Lawrie's Sower is constructed of bronze shell about one inch thick with steel bar reinforcements inside. It stands 19 feet high and weighs about 15,000 pounds.

The Sower is hooded and wears breeches rolled above the knee. A bag of seed hangs from his shoulder.

He is barefoot and stands on two 12-foot pedestals made in the form of a sheaf of wheat.

"The Sower faces northwest and scatters his seed over the whole state," Lawrie once said.

Andersens Get Award in D.C.

• Continued from Page 13

the award to Andersen, a native of Omaha.

The Andersens, both Phi Beta Kappa graduates of the University of Nebraska-Lincoln, each received a bronze statuette of the Sower, which stands on top of Nebraska's Capitol.

The tributes included a letter from President Bush, in which the president wrote:

"These two outstanding individuals have spent countless hours serving the city of Omaha and the state of Nebraska.

"Throughout Harold Andersen's career with The Omaha World-Herald, he has made that fine paper an example of journalistic integrity.

"In addition, he has been a vigorous promoter of efforts to improve the quality of life in his community."

Bush said the Andersens had worked together "to gain support for the Joslyn Art Museum, the American Red Cross, the Nebraska Historical Society, university boards and many philanthropic organizations."

There were other letters from William Sessions, director of the Federal Bureau of Investigation, who was a World-Herald carrier as a youngster in Kearney, Neb.; former Gov. Charles Thone and his wife, Ruth; former Rep. John Y. McCollister; Red Cross Chairman George Moody; and James Keogh, former executive editor of Time magazine, who began his career at The World-Herald in 1938 and attended the society banquet.

D.B. "Woody" Varner, former president of the University of Nebraska and last year's award winner, sent a letter to society President William Joern, in which he said:

"Let me commend you on your choice of recipients. Marian and Harold Andersen are key people in this state and we dearly love them. You have done well!"

Presenting a statuette of the Sower to the Andersens was appropriate, Joern said, because "they are indeed sowers" in the sense of sculptor Lee Lawrie's favorite Bible verse from Galatians 6:7 that "Whatsoever a man soweth, that shall he also reap."

Andersen said: "I really hadn't thought about it this way before, but if we have tried to achieve anything we have worked at, it is to sow some seeds in the hope they would take root to benefit people who have been less fortunate than we have."

1989 Midlander of the Year

Harold W. Andersen: A Native Son's Story

By Robert Dorr
World-Herald Staff Writer

FORTY YEARS AGO, a young World-Herald reporter wrote news stories telling how some Metropolitan Utilities District directors used their positions to get gas stoves and refrigerators for friends.

It was a time of post-World War II shortages. The newspaper's stories brought the gray-marketing of appliances and gas furnace permits "to a grinding halt," said retired Realtor N.P. Dodge, then an MUD director who wasn't involved in the questionable practices.

The reporter, Harold W. Andersen, "was gutsy and he dug into it," Dodge said from his Ormond Beach, Fla., retirement home. "His articles had a great deal to do with straightening that mess out."

The qualities Andersen exhibited as a reporter caught the eye of his bosses. After 12 years as a reporter, he moved into the executive ranks. He became chief executive in 1966.

Last month, Andersen stepped down under the newspaper company's policy of mandatory retirement of its chief executives at age 66.

In significant respects, the state's largest newspaper — read in 40 percent of Nebraska's households — bears Andersen's stamp.

He headed The World-Herald at a time when many large dailies reduced costs by cutting off counties where too few papers were delivered to make it pay. The World-Herald has stayed a major regional newspaper — reaching across Nebraska and western Iowa and into the edges of South Dakota, Wyoming, Colorado, Kansas and Missouri.

Under Andersen the company "was extraordinarily well managed" and could afford to send its newspapers long distances, said new World-Herald chief executive John Gottschalk.

Some dailies that traditionally printed both morning and evening editions now publish just one, usually a morning paper. The World-Herald still publishes morning and evening editions.

Andersen doubled the newspaper's editorial and opinion pages from one to two each day. He broadened the range of syndicated columnists, and readers can now choose among liberal Mary McGrory, conservative James Kilpatrick and many others with widely varying views.

The World-Herald has taken a more international tone, with reporters and photographers more often dispatched around the globe to do articles on population, deforestation, agriculture and hunger.

ANDERSEN GUIDED the newspaper through the Kiewit era and into its current employee ownership, which is rare among major American dailies. The World-Herald Co. expanded through purchases three smaller dailies in Kearney and Columbus, Neb., and Huron, S.D., several weekly newspapers on Omaha's fringes, a printing company and a direct-mail concern.

He has insisted that The World-Herald meet high standards of fairness, balance and objectivity.

Andersen became an international leader in the struggle for press freedom, heading the World Press Freedom Committee. After black South African editor Percy Qoboza was released following five months in prison, Andersen asked him what was accomplished by Andersen's press group sending telegrams and making public statements.

Qoboza replied: "I think they saved my life."

Andersen has been the only American to become president of the International Federation of Newspaper Publishers, which represents 72 percent of all dailies in the world. He has been the only Nebraskan to head the American Newspaper Publishers Association.

Andersen became an ally of former Nebraska Game and Parks Commission Director Eugene Mahoney in raising private money needed to help improve and expand the state's parks and wildlife system.

In many ways, he has shown his interest in soil and water conservation and in education.

"There isn't any question in my mind that Harold W. Andersen is the No. 1 citizen of the state of Nebraska," said D.B. "Woody" Varner, former University of Nebraska president.

In Omaha, Andersen has been the most visible leader over the last 20 years in rebuilding the city's downtown. "Others have come and gone. Andy has been in the battle longer than anyone else," said Bruce Lauritzen, president of First National Bank.

For Andersen's accomplishments in journalism and his leadership in causes that have benefited his home city and state, The World-Herald has broken precedent and named one of its own as its Midlander of the Year.

OMAHA NATIVE Andy Andersen grew up in the Florence area, youngest of four children. His father had steady work during the 1930s Depression as branch postal station superintendent, but there was no money for luxuries.

Andersen earned spending money as a World-Herald carrier, helping his two older brothers starting at age 6 or 7 before getting his own route. He delivered World-Heralds at least 10 years.

His mother had a driving interest in education.

"I can remember coming home from third grade with a bad report card," Andersen said. "She scared the dickens out of me by telling me she knew I was goofing off, that I was smarter than that and I'd better get with it."

The World-Herald *often puffed its (now retired) publisher Harold Andersen, especially as the Franklin case heated up, as in these 1989 articles. President of the World Press Freedom Committee and adviser to the U.S. Department of State, Harold Andersen was also chairman of the Advisory Board of the Franklin Credit Union and headed Franklin's biggest fundraising drive.*

Furious feds make shocking charge against high-flying hotshot:

Ritzy 'Robbing Hood' stole from the poor

. . . & made HIMSELF rich!

By PETE COOKE

Free-spending political hotshot Lawrence King's life in the fast lane came to a screeching halt when federal authorities charged that he financed his high-rolling ways with money he ripped off from the poor.

Larry King's party-giving at the Republican national conventions was the stuff of tabloid headlines, as this write-up in the Weekly World News *of July 25, 1989 showed. The picture shows King with Maureen Reagan at his 1984 convention party at Southfork Ranch, near Dallas.*

House on California Avenue, off "Embassy Row" in Washington, D.C., rented by Larry King for $5,000 a month. King's parties here were attended by officials of the Reagan-Bush Administration and members of Congress from both parties, according to witnesses.

The Washington Times

25 cents

Homosexual prostitution inquiry ensnares VIPs with Reagan, Bush

'Call boys' took midnight tour of White House

The front page of the Washington Times, *June 29, 1989.*

The Washington Times

WEDNESDAY, JULY 5, 1989 WASHINGTON, D.C. 25 cents

Top Japanese politician linked to Spence

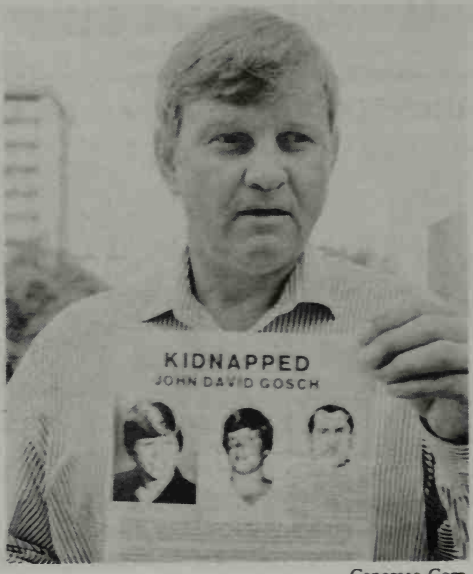
Press 'watchdogs' forgot to bark

Tokyo's trade chief urges party to quit

Considered LDP choice for premier

In a July 5, 1989 follow-up story, the Washington Times *highlighted the connections of Craig Spence, central figure in the Washington "call boy" scandal. According to Washington insiders, Spence ran a prostitution business with Larry King. Spence was found dead in a Boston hotel room in 1989.*

A 1982 press conference by David Thorstadt of the North American Man-Boy Love Association (NAMBLA), whose slogan is "Sex before 8, or it's too late." Paul Bonacci testified to being transported and abused by NAMBLA.



Caporaso Corp.

John Gosch, Sr. with a poster of his missing son. In 1983, at the age of 12, Johnny Gosch was kidnaped while on his newspaper route in Des Moines, Iowa. In 1990 and 1991, Paul Bonacci provided dramatic new information on the Gosch case.

Caporaso Corp.

Jill Cutshall, 9 years old, was kidnaped from her home in Norfolk, Nebraska in 1987. She was never seen again. Investigator Roy Stephens helped trace David Phelps, who was convicted of abducting her for sexual abuse. In 1991, Stephens investigated and confirmed leads provided by Paul Bonacci on other major kidnaping and abuse cases.

The Italian weekly Avvenimenti, *circulation 300,000, printed an explosive expose of the Franklin scandal. The authors were Italian investigative journalists, who visited Nebraska in May 1991.*

Caporaso Corp.

The Rev. James Bevel, close associate of the late Dr. Martin Luther King, Jr., leads a picket line during 1991, against the cover-up of child abuse in Omaha.

An entrance to the Nebraska State Capitol. Over the door is inscribed: "The salvation of the state is watchfulness in the citizen."

CHAPTER 12

THE OMAHA BUSINESS COMMUNITY

Senator Schmit warned the Franklin committee at the outset, not to expect to breeze through an investigation like this. "No one person," he told the Executive Board session of December 12, 1988, "could have masterminded this without the compliance and the acquiescence and cooperation of a number of people, some of whom had to be in official positions. . . . I do not want anyone to say I want to be on this committee, then all of a sudden say, wait a minute, I don't want to walk through that mine field with you, because that is what it will very likely prove to be."

Senator Chambers, who represented the black district of north Omaha where Franklin was headquartered, agreed: "What Larry King is doing is the tip of an iceberg and he's not in it by himself. One thing I told the Attorney General . . . is that I don't want Larry King to commit suicide and I don't want any accidents that will take him out. What he's doing he has not done by himself and couldn't do by himself."

With over forty years in the Legislature between them, Schmit and Chambers knew whereof they spoke. Behind Larry King's rise to fame and riches stood some of the most powerful figures in Nebraska politics and finance.

Larry King himself bragged about his connections. "I felt that I could call anyone in this city," he told the TV interviewer who questioned him about favors from Chief Wadman. In a September 7, 1988 interview with the Omaha weekly *Metropol-*

itan, before the Franklin Credit Union scandal broke, King was more expansive about his friends:

> They were the key to my success. I had really great, great people who were counselors and teachers, who were over some of the major companies in the city. And I would go to them and ask them what they thought I should do and sometimes they would come and sit down or send someone out to talk with us. Harold Andersen of the *World-Herald* was one of the great people who came out. Bill Fitzgerald at Commercial Federal Savings and Loan. I called him once years ago when we were in a crisis and he said, "I'll be there at 7:30 tomorrow morning." And so he was. So I have to say the Omaha power structure has some of the best people to work with. They'll help you if they're convinced you want to help Omaha. They don't turn their backs; they have never done it to me. And I appreciate it because I like being a part of what makes this city grow, and this country.

Had the "Omaha power structure" merely extended a liberal hand to a young black man trying to get ahead? For some of the city's elite, perhaps that's all there was to it.

Days and even weeks after the raid, some of Franklin's backers were still defending King. The *World-Herald* of November 9, 1988 quoted its own publisher, Harold Andersen, Ken Power of US West Communications, and Lyn Wallin Ziegenbein of the Kiewit Foundation, in praise of King. "Until the day it closed, Franklin was performing a useful purpose," Harold Andersen said on November 30, 1988.

Yet someone making even a casual inquiry—such as a businessman might be expected to do before he contributed or deposited hundreds of thousands of dollars in a credit union—would quickly hear the kind of warning Boys Town social worker Julie Walters did, when she asked around about King. They would have heard he was a dangerous man, and they would have heard about pornography, drugs, and pedophilia. Some, at least, of these "great people" from the major companies, had to know precisely what they were doing when they sponsored Larry King.

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In Gary Caradori's files is the transcript of a February 12, 1989 phone conversation with Sheila McGuire, aka Sheila Calder, former manager of the French Cafe, who had moved to the West Coast. This night spot, partly owned by Larry King, was named by victim-witnesses as a center of sexual abuse. Alisha Owen told Caradori that "Sheila Calder would arrange parties at the French Cafe during the afternoon when the cafe was closed."

Here is what the hostess had to say:

> We had parties in my apartment above the French Cafe. Larry King would wine and dine potential investors downstairs at the Cafe. When the French Cafe closed about 1 AM, King and his man called Parking Lot Bob—who worked for him (and was our coke connection)—would bring people upstairs to my place. If Larry King investors wanted drugs, booze, children or hookers (male or female) we'd get them. While these guests of Kings took their pleasures—with the kids or whoever—King would sit and watch—while he drank, did coke and played with his young boys. . . .
>
> One time, when this guy Irv from NYC wanted Sandra—who was about 12 or 13 years old and getting her 1st period, Larry intervened when Sandra refused. King pulled out a roll of $100.00 bills and gave Sandra 5 of them. King then pulled out a small gram of coke and gave that to Sandra. Sandra finally agreed and went off to bed with Irv.
>
> King took good care of the local and out of town high rollers. If you had the money to invest at Franklin, King would cater to your most deranged perversion. And, let me tell you another thing. The boys in the board rooms around Omaha are s---ing in their Brogans. If this case gets cracked open the list of involved will read like Who's Who. King and his crew have ruined a lot of childrens' lives.

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Two years after the raid on King's credit union, as the legislative Franklin committee's original term drew to a close, an old hand in Nebraska politics reflected on the events of the past 24 months. "The Omaha business community," he said,

"the Ak-Sar-Ben crowd, has really closed ranks behind Alan Baer, Andersen and the rest of them. The word has gone out: lay off the Franklin investigation. Most of the Senators are terrified. These guys make and break political careers. They give a lot of campaign money, and many of the Senators get what are generously called 'consulting fees,' or sometimes positions—no-show jobs, really—with the big firms up there. That's the way it's done. It's not uncommon for a big company to have more than one Senator on a $50,000 retainer."

Who were "these guys," the Ak-Sar-Ben crowd?

Visit the Omaha Public Library to look up the boards of directors of big Omaha companies, and you will find names that are listed on board after board. Take a few of those—say, Walter Scott, Jr., chairman and CEO of the construction giant, Peter Kiewit and Sons Corporation; Charles "Mike" Harper, chairman and CEO of the $20 billion per year food conglomerate ConAgra; Michael H. Walsh, CEO of Union Pacific Railroad, a major force in Nebraska for over a hundred years—and ask the librarian to help find information on these men. The reply will likely be something like what one library staffer told a friend of mine in 1991: "These are businessmen all right, but they are intensely secretive. We have very little on them."

For over a century, the Omaha business community has been organized around the Knights of Ak-Sar-Ben, a quasi-freemasonic social organization, centered on a racetrack and fairgrounds in Omaha. Spell "Nebraska" backwards and you get its name. Founded in 1895, Ak-Sar-Ben functions as a sort of central committee of the corporate elite, and a self-perceived oligarchy for the city.

Every year Ak-Sar-Ben celebrates a ritual coronation of the "King of Ak-Sar-Ben," generally an older corporate executive, and his Queen, generally the younger wife or daughter of another man in the club. The king for 1990 was Mike Harper of ConAgra. Here, and at debutante balls and other affairs organized for the younger generation, the lords and ladies of Ak-Sar-Ben establish their social pecking order. The rituals and "den shows" mimic ceremonies from different lands, real and invented, and always pagan. Past Ak-Sar-Ben festivity

themes included: "The Roman Hippodrome," "King Arthur's Wild Goats," "Trouble in the Tropics," and "Hi-Jinx in Hades." Sometimes the men and boys of Ak-Sar-Ben paraded in women's clothing, or dressed as Egyptian goddesses.

Ak-Sar-Ben's clout is so legendary, that Omaha Mayor P.J. Morgan, himself a member of the Ak-Sar-Ben social set, could make political hay by a demagogic attack on it. In 1990, during a squabble with Ak-Sar-Ben over where a new stadium would be constructed, Morgan blustered, "Frankly, I'm just sick and tired of a small handful of people who think that they can control this city and county without regard to feelings, sentiments and desires of the honest, hard-working people who are the real foundation of this city."

Sensitive to this widespread perception, ConAgra's Harper, speaking as chairman of Ak-Sar-Ben's Board of Governors, replied in a special *World-Herald* column on December 9, 1990, "Ak Knights Don't Control City." Just because the individuals and corporations on Ak-Sar-Ben's board had given over $50 million to various causes over the past 20 years, wrote Harper, ticking off a list of most of the public facilities in Omaha, that did not mean they had clout. "I am at a loss to see how contributions to reputable charities can be associated with political power."

Harper's own company flaunted its political power over the city and the state, just a few years ago. According to "Omaha Held Hostage," a May 1989 article in *Progressive* magazine, ConAgra threatened in 1987, to pull out of Omaha, unless the city granted it a choice piece of free land, sewage, paving and a host of other benefits, which will ultimately total as much as $60 million, for a new corporate headquarters. The city acquiesced. Later the same year, when the Nebraska Legislature was on the verge of removing personal property tax exemptions on purchases of jet airplanes and mainframe computers, Harper put out the word to the legislature: Change the tax bill, or ConAgra leaves Nebraska. The bill was changed.

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Ak-Sar-Ben has been ruled for decades by its Board of Governors, a roster of sixteen influentials (increased to twenty, in 1990, "to better represent the entire community," according to Mike Harper), most of whom are chief executives of major corporations. In the late 1980s, the board included:

Charles "Mike" Harper, President and CEO, ConAgra
William A. Fitzgerald, President and CEO, Commercial Federal Savings and Loan
Bruce Lauritzen, President, First National Bank of Omaha
David A. Rismiller, Chairman and CEO, FirsTier Financial, Inc.
Walter Scott, Jr., President and CEO, Peter Kiewit & Sons, Inc.
Thomas J. Skutt, Chairman and CEO, Mutual of Omaha
Michael H. Walsh, Chairman, Union Pacific Railroad
Michael Yanney, Chairman and CEO, America First Cos.

These corporations poured millions into the Franklin Credit Union, in the form of deposits and outright contributions. Their executives supported King, in arrangements both informal and formal.

Bill Fitzgerald, Knight of Ak-Sar-Ben and president of Commercial Federal Savings and Loan, helped his friend Larry King with advice. When the jig was up for Franklin and the Consumer Services Organization, King's close associate CSO director Barbara Moore could find employment with Walter Scott's wife, Sue.

Mutual of Omaha placed funds in the credit union, while Thomas Skutt, chief executive of this insurance giant, co-chaired a $1.3 million fundraising drive for Franklin, with Harold Andersen.

The Franklin Credit Union had two boards. The small, governing board included Larry King, Jarrett Webb and James C. Hart, Jr., the secretary, who were named as child abusers by victim-witnesses before the Legislature's Franklin committee. The firms run by the Knights of Ak-Sar-Ben, along with other

prestigious Omaha corporations and law firms, showed up on the larger, "Advisory Board."

On the Franklin Community Federal Credit Union Advisory Board were:

Chairman Harold Andersen, publisher, World-Herald
Rep. Hal Daub (R—2nd Congressional District)
N.P. Dodge II, President, N.P. Dodge Real Estate
Lamont Wallin, Kutak, Rock, & Huie law firm
L.B. Thomas, Vice President, ConAgra
Jerome Jamrog, Senior Vice President, Commercial Federal Savings and Loan
Arnold Nesbitt, Senior Assistant Manager, Union Pacific Railroad
David Hinton, Assistant Dean, College of Public Affairs, University of Nebraska, Omaha
Louis Lamberty, County Surveyor
Samuel Marvin, President, R-Lynn, Inc., Council Bluffs, Iowa
Leslie McAuley, Supervisor, Director of Quality Control, Northwest Bell
Donald Miller, Vice President, Omaha National Bank
Carolyn Rothery, Byrne & Randall, P.C., Omaha
Dale Wolforth, Vice President (ret.), Murray State Bank
John S. Zeilinger, attorney, Baird-Holz, Omaha
Michael Albert, President, Albert Food Brokerage
Angelo Amato, General Superintendent Customer Records Department, M.U.D.
David Ambrose, Professor, Department of Marketing, University of Nebraska, Omaha
Joseph Barker III, Massachusetts Mutual Insurance Company
Dana "Woody" Bradford, Bradford, Coenen, & Ashford
Leo Eisenstatt, Erickson, Sederstrom, Leigh, Eisenstatt, Johnson, Kinnamon
James Healy, Administrator of Urban Affairs, Northern Natural Gas

L.B. "Red" Thomas headed up finances for ConAgra, which put funds into Franklin certificates of deposit. Union Pacific,

and its executives acting as individuals, poured in money, while Union Pacific officer Arnold Nesbitt sat on the board.

Ak-Sar-Ben interfaced with the Franklin credit union proper, but also with individuals in the orbit of Larry King. One of its biggest financial contributors in recent years was the department store heir and child abuser, Alan Baer. Catering for Ak-Sar-Ben was Gary West, bartender from the Max gay bar.

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As the Legislature geared up to investigate the credit union, its lofty advisors began to jump ship. At the Legislature's Executive Board meeting of December 12, 1988, Senator Chambers captured the picture:

> This situation will be like the Nazi regime after it failed, nobody saw Hitler, nobody knew who Hitler was, but one kid once saw an old man who one time knew a guy who talked to a guy who saw a car drive by with curtains on it and somebody said Hitler was in that car. That's the way this is going to be, nobody knows anything, nobody has seen anything, nobody knows why investigations in the past, by the federal government, were terminated.

Sure enough, over the next months one board member after another would appear on the pages of the *World-Herald,* to deny he had really had anything to do with Franklin. Virtually nobody from the powerful firms that channeled funds to Franklin and advisers to its board, was ever questioned by the Franklin committee about his relations with the credit union. Once again, according to one veteran politician, the whiff of a ConAgra payoff was in the air: Those who helped cut short the Franklin investigation would receive campaign funding from ConAgra, and those who pursued it would not.

For some of the Franklin board members, the ties to Larry King were too close to hide. Gary Caradori questioned one of them, Joseph Barker III of Massachusetts Mutual Insurance Co., on March 1, 1990. He wrote up their exchange:

> At 1400 this writer arrived at the Massachusetts Mutual Insurance Company located at 90th and Dodge, Omaha, Nebraska, and contacted Mr. Joe Barker. Mr. Barker then did admit to writing policies for Larry King and his family. He stated that as far as he knew, he handled all of Larry King's life insurance. Mr. Barker stated that he had known Larry King for many years. He was not certain how they met, however, they did share some duties on church committees and possibly several other boards. . . . When my questioning started to center around social gatherings, Mr. Barker indicated with a nervous gesture that yes, he had been to some social events with Larry King, but that everything was always "on the up and up." He stated that throughout his friendship with Larry, everything was always "straight" and that he had never seen anything out of the ordinary.

To the trained investigator, something didn't sit quite right. Caradori observed:

> This investigator noted that Mr. Barker seemed extremely uneasy while this writer was present. Further investigation will be conducted reference this matter.

In other cases, Franklin Advisory Board members were one step removed from personal contact with King. One person from a company would sit on the board, while somebody else was more directly in touch. The law firm Byrne & Randall (credit union board member Carolyn Rothery) fit this pattern. Joseph Byrne handled much of King's legal business early in his career, and King used Byrne as a personal reference on credit applications, according to a February 17, 1989 report by Jerry Lowe. Byrne's partner, Gary Randall, was the lawyer who negotiated Jarrett and Barbara Webb's way out of trouble in 1986.

Erickson, Sederstrom, Leigh, Eisenstatt, Johnson, Kinnamon (credit union board member Leo Eisenstatt) was retained by King and the credit union for various matters. Quoted by James Traub in a December 1991 article in *Gentlemen's Quarterly*, Leo Eisenstatt recalled, "The Kings came to our house for dinner, and we went to their house. We were one big, happy family."

An employee of Erickson, Sederstrom, Leigh, Eisenstatt, et al., Jay Derr, came to the attention of Caradori and the Franklin committee, in connection with King's sexual escapades. Caradori received reports from at least two sources, that Derr had taken a private flight with King to the 1988 Republican National Convention, where King organized one of his sex parties. In his notes of March 29, 1990, Caradori reported a local law enforcement officer receiving "a call from the DEA in D.C. requesting help on Jay Derr." Then Paul Bonacci testified about him before the Franklin committee on June 12, 1990.

> SENATOR LYNCH: Does the name Jay Derr mean anything to you?
>
> BONACCI: Yeah, Derr I know. Jason Derr.
>
> SENATOR SCHMIT: Why is that name familiar to you?
>
> BONACCI: Well, there was a guy that was at some parties and stuff, he told me his name was Jason Derr. And that's all I remember. I mean, because he was having—you know, he asked me questions a lot and then he took me out sometimes, a couple times, and gave me money and—
>
> SENATOR SCHMIT: Did you have sex with Jason Derr?
>
> BONACCI: Yes.
>
> SCHMIT: More than once?
>
> BONACCI: Yes. . . . probably four or five.
>
> SCHMIT: Do you know of any other young lads that he had sexual contact with or among your acquaintanceship.
>
> BONACCI: Can't be positive, but I think a kid named Mark Powers. And I'm not sure if it was Danny or Troy, Danny King or Troy Boner.

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Among the backers and contacts of Larry King and the Franklin Credit Union, certain stand-outs deserve special attention. These are Harold Andersen and his *World-Herald,* former state Game and Parks Commissioner Eugene Mahoney, Omaha multibillionaire Warren Buffett, FirstTier Bank, Union Pacific

Railroad, the famous Boys Town orphanage, and the Omaha Girls Club.

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Harold Andersen was King's biggest backer in the Omaha business community. He chaired Franklin's Advisory Board and co-chaired its fundraising drive, starting in 1983. These money-raising efforts lost some of their luster in 1989, when it was revealed that the money was used to build an addition to the credit union, the most prominent feature of which was a bedroom. The retreat was equipped with "a brass bed, a fluffy white comforter, a stereo and a television," according to former Franklin employee Noel Seltzer, quoted in the March 5, 1989 Lincoln *Journal*. Others said King used it for afternoon trysts with his homosexual lovers.

Andersen claimed that he did not know there was a bedroom in the addition he raised the money for, but Seltzer had a specific recollection, reported in the *Village Voice:* "When the addition opened, credit union employees say, Andersen gave guided tours of the new building. 'He always walked by the door and it was open,' says Noel Seltzer, a former employee. 'He knew there was a bedroom in there, he had to see it. We did.' " Seltzer told the *Lincoln Journal,* that during Andersen's opening-day tour, "the door to the bedroom was open, . . . although it was kept locked after that and the room was off limits to employees."

For years before the fall, Andersen's *World-Herald* chronicled the great works of Larry King and his associates. Its magazine, *The Midlands,* ran a feature article in 1983, full of praise for Franklin board member Jarrett Webb and his wife Barbara as model foster parents.

The paper's incessant PR work for King, before and after the collapse of Franklin, was bitterly resented by many in Omaha's black community, as Senator Chambers said at the Executive Board session of December 12, 1988:

> This man that the *World-Herald* has pussy-footed around and tried to hold up as a role model for our children, a leader

> in our community, is a gross insult to us . . . and I get tired of seeing *World-Herald* headlines about the leader of the credit union, things that try to indicate that he typifies what our community is. . . . In the community there is outrage that the appearance seems to be to try to keep this man looking like a decent, upstanding citizen. One of the pictures you'll see is where he was catering something for one of the Christ Child centers in Omaha to make it look like he's a great guy. You'll see an article that talks about how generously he gave for AIDs research. If I'm stealing your money, it is easy for me to be generous with that money. In the black community $100 for the Boys Club, $100 for the Girls Club. For a gay outfit in Washington, D.C., $18,000 at a pop. . . . So the reason I'm saying this is to indicate that I believe that the *World-Herald* tried to cover up.

When Franklin collapsed, the newspaper viciously attacked victim-witnesses, parents, senators, and anyone else who persisted in seeking an investigation of the child abuse charges.

It was company policy to protect the pedophiles, admitted *World-Herald* reporter Gabriella Stern in 1990. Asked why the *World-Herald* did not print information Stern herself had discovered about a young homosexual tied to Alan Baer, Stern shouted, in the presence of other reporters in the statehouse corridor, that "we have to protect the little fag because he would lead to the big fag," namely Baer. (When I mentioned Stern's exclamation, on a radio station KKAR program, *World-Herald* publisher Woody Howe called me to deny Stern said any such thing. But Stern herself confirmed to me that she had. Soon afterwards, she left the *World-Herald* to work for the *Wall Street Journal*.)

■ ■ ■

Harold Andersen volunteered his fund-raising talents also for the Nebraska Wildlife Federation, a private entity established in honor of his close friend, former State Game and Parks Commission head Eugene Mahoney. The latter was to figure many times during the Franklin investigation, including when

Alisha Owen testified he was present at Larry King's sex parties.

Mahoney worked on the OPD vice squad before he entered politics and became known as the "godfather" of many a political career.

In fact, Gene Mahoney was the godfather of my own political career. I conducted my first successful election campaign, from Vietnam where I was an infantry captain, without ever setting foot in the United States. The publicity about that was important to my election, but there was another, secret powerful factor. Senator Gene Mahoney had become arch enemies with the senator I was running against, Bill Wylie. I chanced to fit perfectly into Mahoney's plans against Wylie.

Back in Nebraska, while I was shooting at and being shot at by Viet Cong, Gene Mahoney was working for my election. He was to remind me later, that I never would have been a senator if not for him.

Mahoney made politicians, and he destroyed them. Ask former Omaha Mayor Mike Boyle, the only mayor of Omaha ever recalled from office. Mahoney engineered that recall.

He worked behind the scenes, so that no one was ever able to pin the tail on the donkey.

Gene Mahoney would demand that you be his "boy," once he put you in office. He might not call on you very often, but when he wanted your vote or your support on something, you had better deliver. I did not deliver, early on, because we disagreed on a major matter. As a result, I am supposed to spend the rest of my life doing "penance for Uncle Gene." It is a common joke among political folk in Nebraska, that if you cross "Uncle Gene," you will have to "do penance."

Almost any politician in the state will confirm, that Eugene Mahoney is probably the most powerful politician in Nebraska in recent history.

Gary Caradori's dossier on Mahoney filled up with incident reports of another nature. One of his confidential informants, in an interview on February 22, 1990, recalled how he once returned Mahoney's car to him at a camp where, lacking wife or family, Mahoney spent time.

> Immediately west of the Louisville State Park is a little camp near there with a half a dozen cabins in it. And Mr. Mahoney's is the far west cabin in that group right up against the river. . . . We took that car down there and went up with the keys to leave the, to identify the car, so here's the keys. And the door swung open and as I recall there was no screen or anything on it. And there stood a large, heavyset, fleshy, young black man absolutely in the buff with nothing but a big smile on his face.

In retrospect, the informant thought, it was likely that the heavyset young man had been Larry King. That would agree with a report by Jerry Lowe from June 18, 1989, of an interview with a former Franklin employee:

> [Source] indicated that [Godfather's Pizza founder] Willie Thiesen's name had been linked with Larry King's as being homosexually involved . . . and that King had also had similar relationships with Harold Andersen, Eugene Mahoney, and Bob Wadman.

Investigator Robert Hansel of Caracorp, Caradori's firm, filled out the picture on October 1, 1990:

> Information was obtained that Mr. Mahoney has a cabin at the west end of Louisville Park. [The source] also stated that some sexual activities may have occurred there. He stated Harold Andersen was real close with Gene Mahoney and his name had come up on several occasions. The name, Nate Foley*, was mentioned. He stated he knew for a fact that Gene Mahoney had propositioned him in the past and showed him some photos. . . . [He] informed this writer that Mr. Foley did get very upset at the time when he was propositioned by Mr. Mahoney. He also stated that possibly Mr. Foley did get a promotion to keep his mouth shut about the incident.

Mahoney was notorious, as Game and Parks Commissioner, for surrounding himself with good-looking young men. On March 16, 1990, Caradori recorded a description of Mahoney's travels, by a former pilot for the Game and Parks Commission, who used to fly him around:

> During his time with the Commission, he stated that Eugene Mahoney always travelled with young individuals, i.e. late teens or early 20s. . . . Whenever Mahoney would travel, especially with his aides, they always had to stay in the same room or cabin with Mahoney. He stated that on numerous occasions Harold Andersen had also travelled with Mahoney, which may have been to promote the State Games [sic] and Parks Commission, and also for fundraisers.

Said the February 22, 1990 confidential informant, about Mahoney's ongoing activities:

> This park isn't quite done but it's got a major residence in there with an apartment above and below. Mr. Mahoney to this day, you know he's not affiliated with the Game Commission, lives in the upper half when he's around. The lower half, lo and behold, has a beautiful blond, blue-eyed young male there that Mr. Mahoney found at about 18 or 19 years of age. And he is kept there at state expense. He's the highest priced park superintendent in the state even though when he came in there he had absolutely no credentials. He'd never worked in a state park and didn't know anything about managing people or the wildlife or anything.

On March 16, 1990, Caradori reported the observations of another source:

> He went on to state that Mr. Mahoney did like to cater to teenage boys and had participated in many outings with various groups of teenage kids, such as the Boy Scouts.

With the help of Harold Andersen and Lincoln *Journal-Star* publisher Joseph Seacrest, over a two-year period, Mahoney raised more than $10 million for the new Mahoney State Park. According to Caradori's confidential informant, "There's an assumption that there's some Franklin Credit Union money that went into that place." To identify where the park money came from, he said,

> the place to start quite simply in any state area is to drive through them and record the names off the cabins. Mr. Mahoney has this fetish about naming cabins and outhouses and pavillions and things after his friends. Everything is the

> Harold Andersen this, V.J. Skutt that. And obviously those are the people who probably helped funnel money for that particular project, or something in that park anyway.

Mahoney's political power and his role as a darling of the Ak-Sar-Ben crowd were captured in a December 7, 1989 article in the *World-Herald:*

> Gov. Orr and Sen. J.J. Exon, who have been at odds politically for 20 years, were on the same side Wednesday in pushing the election of Eugene Mahoney to the Omaha Public Power District Board.
>
> Mahoney, who was appointed Nebraska Game and Parks Commission director when Democrat Exon was governor and who was appointed by Republican Gov. Orr to the OPPD post, said he reluctantly would seek election to the post next year. "I really hate campaigning," said Mahoney, a former state senator from South Omaha.
>
> He said he had planned to serve out his term and not seek election, but was talked into running by a group of prominent businessmen who where the hosts of a Wednesday reception.
>
> Among those paying tribute to Mahoney at the $100-a-person fund-raiser at the Cloud Room at Kiewit Plaza were Walter Scott, Jr., chairman of Peter Kiewit Sons' Inc., Mike Yanney, president of America First Cos., Attorney General Robert Spire, and Mayor Morgan.
>
> The crowd of more than 210 at the event, which raised more than $40,000, included corporate leaders, South Omaha businessmen, former Mayor Eugene Leahy and former Sen. Dave Karnes, R-Neb.
>
> "I've never seen anything like it in my life," said Yanney, a frequent sponsor of political fundraisers. "The great thing about Gene is he crosses all party lines and he does it with dignity. Gene Mahoney is one of the great men in this community and this state."
>
> Scott said, "Gene is a good hunter, a good fisherman, and a good sportsman. I'm grateful to have a man like that take on a specific post like OPPD."

In September 1991, Eugene Mahoney was crowned King of Ak-Sar-Ben.

• • •

As essential to Franklin as Andersen's fundraising and publicity were, the credit union could not have functioned for a single day without the complicity of Nebraska's largest bank, FirsTier. Before coming to Franklin, Larry King had been a management trainee at Omaha National Corporation, one of the institutions that merged into FirsTier in 1984.

Every dollar that went into Franklin Credit Union—the missing $40 million was no exception—went into its account #153-7-353 at FirsTier.

"There would sometimes be a million dollars coming in in the morning and a million leaving in the afternoon," said one person familiar with the investigation. "The amounts were astounding, and remember this is a $2.6 million credit union. There is no conceivable way in the world that FirsTier was not fully aware of what was happening, as far as gross irregularities."

FirsTier would cover for Franklin when the credit union overdrew, as one disgruntled FirsTier official told former Franklin employee Noel Seltzer. Senator Chambers charged in early June of 1989, that the large volumes of Franklin transactions, occurring in such short periods of time, should have raised suspicions about the nature of its business.

This was just business as usual, protested the officers of FirsTier. Bank Vice President Donald Petersen told the *Lincoln Journal* on June 5, 1989, "Franklin Credit Union had a commercial account with FirsTier Bank Omaha that was no different from our standpoint than other commercial accounts. We clear incoming and outgoing items for our customers, but the customer is ultimately responsible for each transfer in their account."

During Franklin's heyday, the board of FirsTier Bank and FirsTier Financial Services was a who's who of the Omaha business community. On it were pedophile Alan Baer and Knight of Ak-Sar-Ben Walter Scott, Jr., the Kiewit Construction chairman who was known in the business community as "one of the real powers" in FirsTier.

. . .

Donations to Franklin through the Union Pacific Foundation made the Union Pacific Railroad one of Larry King's biggest corporate backers. Its individual leaders, like former Union Pacific Chairman John Kenefick, deposited funds at Franklin.

According to reports out of Omaha's homosexual community, the old Harriman family railroad overlaps other areas with King. "The company is well-known for two things at the top: homosexuality and freemasonry," said one knowledgeable person.

Is there a tradition or obligation of homosexuality among top Union Pacific executives?

The Legislature's Franklin committee heard testimony from a former Franklin employee, implicating two Union Pacific executives in the recruitment of "young kids for Larry King's friends." Robert Andresen, the pedophile whose brutality was so heavy-handed that even the Douglas County jury mentioned (but did not indict) him, worked for Union Pacific.

So did the foreman of the grand jury! The Douglas County panel was headed by citizen Michael Flanagan, an employee of Union Pacific Railroad for 27 years. Given that Union Pacific personnel were implicated in the matters under consideration, there would have been a conflict of interest for any UP employee sitting on the grand jury. In the case of Flanagan, there was more to it than that.

In the summer of 1990, while the Douglas County grand jury was sitting, I received a call from a person who identified himself as an executive at Union Pacific headquarters in Omaha. He declined to give his name, saying, "I am too old to start over. I have too much vested in a good salary, position and pension. But I do not feel I can sit idly by."

He defended Union Pacific as a company that was good to its employees and, he thought, good for the country. But it had been taken over by a homosexual element, which tolerated, condoned and encouraged a code of sexual conduct he felt was abhorrent. Even this would be no one's business, he said,

unless it was being imposed on people, using the power of UP in Omaha and Nebraska.

At first, I thought the man might be trying to make an issue of some minor homosexual relationship, and I told him I was not interested in "bashing" homosexuals. I said that I didn't care what adult men did with their sex lives, so long as they do not abuse and hurt children. I could have told him, but I didn't, that my own brother had died of AIDS in California just the year before. My brother was a homosexual; he was also one of the best human beings on the planet.

My caller's carefully chosen words quickly dispelled the notion that he meant insignificant incidents, and led me to ask, "Are you talking about the head of Union Pacific, Mr. Walsh?" While the information he provided satisfied me that my concern about Walsh might well be valid, the caller made it clear that this was not the immediate point of his contacting me.

What he had to say, was that the foreman of the grand jury had committed impropriety of such a nature and degree, that Union Pacific had to reach a private financial settlement to protect him.

"I believe if you will check out a former very young male Union Pacific employee named Pike*," said my caller, "you will discover that Mr. Flanagan made improper sexual advances upon him, and he complained to Union Pacific officials. A financial settlement was reached by Union Pacific and the young male individual was paid a substantial sum of money by Union Pacific to keep quiet, go about his business, and find other employment."

I began to investigate, and found the facts accurate. Here is how they were summarized in a lawsuit, filed by me on behalf of Paul Bonacci:

> The Grand Jury Foreman, Michael Flanagan, should not have been allowed to be Grand Jury Foreman because he himself, Michael Flanagan, had been recently involved in an incident in which he, Flanagan, was accused of pandering and in which he, Flanagan, and his Company, Union Pacific, had reached a civil settlement to suppress such incident and satisfy the demands of the individual making the complaint

> against him. Thus, the Grand Jury Foreman was being literally asked to indict other individuals whom Bonacci was identifying for the very things that he, Flanagan, had been accused of and reached civil settlement to avoid like indictment and prosecution.

Through Flanagan, the suit also charged, Union Pacific was directing the grand jury:

> Further, Flanagan himself violated his Grand Jury duties by sharing Grand Jury information with other individuals, including lawyers and others he met with on a regular basis almost every day following Grand Jury proceedings at Union Pacific Headquarters in Omaha, and receiving advice and guidance from them on how to proceed in the Grand Jury proceedings and providing them information on the supposedly secret Grand Jury proceedings themselves.

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One of King's earliest boosters was the wife of a man with an unrivaled reputation for shrewd investments—Warren E. Buffett, chairman of Berkshire Hathaway. Based in Omaha, Buffett is the second biggest stockholder in the *Washington Post* and a controlling power in ABC-TV. In 1991, he acquired large blocks of stock in American Express and Wells Fargo Bank. When Salomon Brothers faltered in August 1991, the owner of 13% of its stock—Buffett—stepped in as interim chairman. With $4.4 billion to his name, Buffett is ranked by *Fortune* magazine as the 24th richest man in the world, and in the United States is among the top five. In Omaha, the Buffett mystique gains from the fact that there are two hundred-some "Buffett millionaires," who made their fortunes by investing through Buffett's Berkshire Hathaway.

Buffett favors the multiplication of money, but not people. He contributes to groups advocating radical population reduction. His Warren Buffett Foundation lists hundreds of thousands of dollars in grants to Negative Population Growth, the Association for Voluntary Sterilization, Planned Parenthood, the Population Council and Population Institute, the Sex Information

and Education Council, and Federal American Immigration Reform. Negative Population Growth members, according to the group's literature, "believe that a drastic reduction in total population size represents the only viable option consistent with human survival." NPG wants the United States, and then every country, to enact programs to drop the U.S. and world population to *one-half* its present levels within 90 to 100 years. Buffett contributes approximately 7% of NPG's total budget.

Language about Buffett, and his own, abounds with references to his "cult." A 1991 *Washington Post* write-up of his annual shareholders' meeting quoted guests along those lines: "It's like worshipping at the altar of the high priest of finance. . . . "; "He has a very large, cultish following." Buffett himself has called his management staff "magicians." Said Steve Forbes of *Forbes* magazine, talking to National Public Radio about Buffett, "He's not Moses, but they read what he says as if it were written on tablets. . . . Buffett's economic forecasts are more listened to, than Papal Encyclicals or the State of the Union message." In 1974, when stocks were at a low, Buffett told *Forbes* he felt "like a sex maniac in a harem," wanting to buy.

On November 8, 1991, the *Wall Street Journal* trumpeted in a two-page spread on Buffett as "the Oracle of Omaha," that his "folksy image belies a killer instinct."

Backing from Buffett's socialite wife, Susie, came early in the rise of Larry King. Susie Buffett was a volunteer at the credit union in its early days. According to the *Lincoln Journal-Star* of March 19, 1989, King "liked to tell the story of a woman coming to the credit union to see him and being told to return at 7:00 the next morning because he was so busy. The woman was Susie Buffett, wife of billionaire Warren Buffett, and she did come back to offer her help at the credit union."

For years, it has been part of Larry King lore in Omaha, that the Buffetts hosted a tenth wedding anniversary party for him and Alice. James Traub's December 1991 *Gentlemen's Quarterly* article served as a platform for Warren Buffett to deny he had a role in that affair, and to insinuate that perhaps the party never happened: "In 1978, King asked Susan Buffett if she

would be willing to host his and Alice's tenth-anniversary party at her house. . . . Susan said yes, but her husband said no."

Paula Albert, a close researcher of the Franklin scandal who has interviewed several people who attended the anniversary party, commented that the Buffett/Traub account was carefully worded. Buffett avoided an outright assertion that the party didn't take place, but "you'd be left with the thought that it never happened, if you didn't know anything."

Buffett told Traub, "I knew that King was a phony. . . . It was like he had a big sign on his head that said, 'PHONY, PHONY, PHONY.' " These protestations prompt the question, why, if Buffett saw so clearly that Larry King was a fraud, he did not alert his friends at FirsTier, or the *World-Herald*. Buffett is a director emeritus of one of the institutions that merged to become FirsTier, and he served on the *World-Herald* board.

Larry King returned favors, by hosting a fundraiser for Buffett's son Howard, when Howard ran for Douglas County commissioner. Warren Buffett may have done some more private socializing with Larry King, if a former Omaha city employee is correct in his report, that when Larry King was crowned "Queen" at The Max gay bar, Warren Buffett was his escort. "This is what his cousin Barbara Webb told me," said the source. "She said the people, they were mad, because Larry brought his son and his wife there."

The *Wall Street Journal* feature reported that Warren and Susan Buffett have lived apart for thirteen years, although they attend official functions together. Buffett shares his home with a companion named Astrid Menks, "alternating his time between the two women." According to the *Journal,* Buffett met Menks in 1977, when Susie brought her home from the nightclub where Menks was a waitress—the French Cafe.

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Buffett and King shared an interest in Boys Town, which to many Americans evokes the 1938 movie starring Spencer Tracy as Father Flanagan, the priest with the heart of gold whose orphanage, Father Flanagan's Home for Boys, straightened out

many an errant youngster. Known today as Boys Town, it is an incorporated village on the west side of Omaha, with extensive land and plush facilities, and an endowment of $460 million. The orphanage is therefore a major power in the Omaha financial world. It has begun a $25 million nationwide expansion program, and will have youth care facilities in seventeen cities by 1992. The chairman of its finance committee is Union Pacific's Michael Walsh.

In 1972, Warren Buffett executed a maneuver around Boys Town, which is not fully understood to this day. His own *Sun* newspaper ran a series of articles, that targeted Boys Town for having too large an endowment. The *Sun* wrote, "members of the board of directors of Father Flanagan's Boys' Home generally seem little concerned that the institution has amassed a net worth of more than $200 million while going to the public twice a year with a plea of poverty." Of the cited $200 million, $175 million was the "liquid endowment."

Editor and Publisher magazine reported on March 30, 1985, "The *Sun* papers in 1973 became the first weeklies to win the Pulitzer Prize for an expose of Boys Town. The story idea originated with Buffett, who also participated in its development and wrote a section of it."

The articles prompted a major shake-up and purge of personnel at Boys Town. Buffett is believed to play some significant role with the orphanage today, perhaps in his specialty—investment advice. An inquiry with Boys Town was referred to the in-house attorney for the orphanage, who, in answer to the simple question, "What is Mr. Buffett's precise role with Boys Town?" spent 25 minutes in two phone calls, not quite denying, but also carefully never confirming, that Buffett had a role with the facility. At any rate, Buffett has not complained lately about the size of Boys Town's endowment, although it is much larger now than it was in 1973.

Larry King was intimately involved with Boys Town. The institution came up repeatedly during the Legislature's Franklin investigation, and even earlier.

Foster Care Review Board Executive Director Carol Stitt's July 1988 plea to Attorney General Robert Spire, for an investi-

gation of child abuse, included that youth care worker Kirstin Hallberg "told me about three youth at Boys Town who all reported inappropriate activities with Larry King of Omaha." On March 29, 1989, her colleague Burrell Williams told investigator Jerry Lowe, "that on several occasions in the past he had heard of kids transported from Boys Town and the north Omaha Girls' Club to functions allegedly linked to King."

Boys Town youth care worker Julie Walters, when she interviewed the Patterson Webb girls in 1986, reported her findings about Larry King and Boys Town youth, to the orphanage's executive director, Father Val Peter. According to an FBI and Nebraska State Patrol interview with the girls' foster mother, Kathleen Sorenson, "Walters related Nelly's statements to Father Val Peter. . . . Val Peter then stated that Boys' Town would conduct its own discreet investigation into Nelly's statements." Peter apparently did nothing, as Carol Stitt informed the legislature's Executive Board on December 19, 1988: "It has been brought to my attention that no such investigation ever took place."

The FBI/NSP brief on Sorenson's interview said:

> Sorenson stated that an unspecified time in the summer of 1988, Julie Walters spoke to two prominent black males and one black female at Boys' Town confirming Nelly Webb's statements about Larry King. Sorenson could not recall the names of these individuals. The individuals were either employees or associates of Boys' Town. These individuals told Walters not to ask questions about King "because it could be dangerous."

King was highly visible on the Boys Town campus, because of his distinctive yellow Tojan car. On March 27, 1989, Jerry Lowe interviewed Julie Walters by phone:

> Julie indicated that she subsequently had a conversation with Val Peter regarding the yellow Tojan including discussions that several Boys' Town teachers, including those as having the last names Barksdale, Wilson, and Gary, had been seen driving the automobile. Julie indicated that when she brought the matter of the Tojan up to Father Peter, that he had

> initially denied any knowledge of the automobile, however, later on indicated that it was his belief that Omaha people couldn't accept black male teachers at Boys' Town and blamed the information regarding the Boys' Town black male teachers driving the Tojan, on racism.

At least one reported driver of the Tojan, John Barksdale, was closely associated with Larry King. Barksdale worked at the credit union, as well as at Boys Town, and had been tapped by King to head up a planned nationwide expansion, known as Franklin, U.S.A.

In January 1988, Father Peter summoned Kirstin Hallberg. She submitted her notes on the discussion to Franklin investigator Jerry Lowe:

> Father Peter called me (Hallberg) and expressed an interest in Loretta's case and said he felt that Boys' Town could offer her "a safe place to heal." When I commented that she probably wouldn't feel too safe if she saw "the yellow Tojan," he (Peter) said that he heard it had "been around" and then quickly changed the subject.

Under pressure, Peter once again promised an investigation. Julie Walters recalled, in her March 27, 1989 phone conversation with Lowe:

> Julie indicated that she later learned that Val Peter had given an individual by the name of Dave Shanahan, who is the Director of Admissions at Boys' Town, the responsibility of conducting, what Julie described, as a staff practice investigation of the Tojan automobile and the accompanying references to Boys' Town personnel riding in it. Julie indicated that she was uncomfortable about Shanahan investigating this as she expressed the personal opinion that she does not trust Shanahan. Julie indicated that Shanahan was a white male in his early forties and a long time employee of Boys' Town and indicated if she had to describe Shanahan she would describe him as being an individual with a good ole boy mentality who was not interested in the truth as much as making sure that nothing of a negative nature involving Boys' Town came out of the investigation.

Walters was right—honest investigations of Larry King at Boys Town were quashed, as Franklin investigator Karen Ormiston found out when she interviewed former policeman Alan Kupres, on August 14, 1990.

> Mr. Kupres indicated that he had worked as a police officer for Boys Town for approximately three years. He stated that he had run the license plates on a vehicle which was registered to Larry King several times, but that his superiors had directed him to "leave it alone."

Alisha Owen, Paul Bonacci, and Nelly and Kimberly Webb all reported that King took boys from Boys Town for his pedophile activities.

Omaha author Steve Bowman, who is preparing a book on the Franklin Credit Union for release in 1992, discovered as he interviewed Boys Town grads, that King's activities there were scarcely anomalous. "You would keep hearing the same thing, over and over again," Bowman said of the graduates, many of whom were homosexually involved with Larry King. "They would invariably say, 'I first discovered my homosexuality during counseling at Boys Town.' "

The homosexual ambiance at the orphanage was featured in a novel, reported on in the August 27, 1989 *World-Herald:*

> An Omaha native said his new novel describing a youth's painful upbringing in a boys' home, including many homosexual encounters, is based on his eight years at Boys Town. Jimmy Cheshire, 44, of Yellow Springs, Ohio, said in an interview that "Home Boy" accurately depicts life as he saw it at Boys Town from 1955 to 1963 when he graduated as class valedictorian. . . . Cheshire said homosexuality was "rampant" at Boys Town while he was there. "Everybody I knew was involved in it. After graduation, no one talks about it," he said. "In my opinion, one third of the Boys Town counselors were pedophiles. The only reason they were there was because kids were there. A lot of kids were seduced". . . . Cheshire said he did not find any adults at Boys Town who were "reliable." "There were some brutal people, some sick people," he said. "The children turned to each other' for support."

Father Val Peter said of Cheshire's book, "Boys Town would never condone any activity like that, nor do we have knowledge of it. I think sex sells, like the *National Enquirer*."

Boys Town officials deny with equal vehemence, that Larry King was associated with their facility in any way. Evidence from Franklin Credit Union files contradicts them.

Working relations between the credit union and the orphanage were in order as of a December 13, 1979 letter from Franklin employee Joel Rogers, one of King's homosexual lovers, to Boys Town Deputy Director for Development William E. Ramsey: "Mr. King, Mr. Larson, and myself are appreciative of your visit yesterday, and look forward to working with you and the Father Flanagan Boys' Home." The extent of the planned collaboration is not known, but at one point Franklin was paid $15,000 to do a study on the relocation of people who lost their houses because of an expansion of Boys Town.

Boys Town boys could get jobs at Franklin. King hired Brandt Thomas*, a 1984 graduate, to work at the credit union, according to a July 5, 1983 report from Doyle and Carol Gillespie, Boys Town family teachers. They also noted that "Brandt has moved in with his employer, Mr. King." Thomas was still under care of the school, and his change of residence was sanctioned by the highest official at Boys Town, then-Executive Director Father Hupp. His March 26 1983 letter to Brandt's mother, Lila Thomas*, was summarized by legislative Franklin committee researcher Jose J. Soto: "This letter from Father Hupp advises Brandt's mother of steps to take before Brandt moves in with Larry King." Hupp even attended the party King threw for Thomas, after the boy moved in.

Two and a half years later, Nelly Webb was to tell Julie Walters, that King frequently took Thomas around with him to serve as a homosexual prostitute.

By the time Franklin Credit Union met its fate, Boys Town had deposited, or planned to deposit, *one million dollars* in the credit union!

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If his liaison to Boys Town were insufficient for his purposes, Larry King had the Omaha Girls Club as a hunting ground. Victim-witnesses consistently said both institutions were tapped by King to find candidates for sexual abuse. In an April 14, 1989 report, Jerry Lowe summarized what he heard from Loretta Smith:

> Loretta furthermore told Carmean that many of the people who were taking the [pornographic] photographs were leaders of the north Omaha Girls' Club and included prominent people who used code names. When I asked Loretta what the code names were she indicated simple names like Mary, Jane, etc. She had told Carmean that doctors and lawyers were involved and when I pressed her on this she indicated at one of the photographic sessions she saw some files and someone said something to her about one of the men working in chambers.

Lowe wrote up, on May 8, 1989, observations from Nelly Webb:

> Relative to the North Omaha Girls' Club, Cornelia indicated that she had heard that a couple of girls had slept with men who were somehow connected with the Girls' Club. . . .

A week later, he learned from Kathleen Sorenson, that Nelly and Kimberly

> talked about being at many parties at King's house on River Road and at another location. They were often taken to these parties at a moments notice. They said the parties were for very important people.

Caradori's investigation showed that King's control of the Girls Club was a matter of public record, for anybody who bothered to look. Checking the incorporation papers at the Secretary of State's office, Caradori discovered that the Girls Club was incorporated in December 1973, with Larry King as its president, "to promote . . . the health, social, cultural, vocational and character development of girls. . . . " One of the three incorporators was Franklin officer Mary Jane Harvey,

indicted with King for embezzlement there, and named by children as one person who transported them for sexual abuse.

Had such research been done by law enforcement at the time of the children's complaints, more could have been learned, about the "very important people" the girls saw partying with King. The stakes in keeping their identity under wraps were obviously very high.

• • •

The Omaha corporations that bankrolled Larry King and Franklin are also the major sponsors of youth organizations in Nebraska, such as Boys Club, Girls Club, Boy Scouts, Boys Town, Uta Halee Home for Girls, and others. These corporations donate millions of dollars per year to these organizations, as the annual reports of the recipients show. Many executives of these firms sit on the boards of the youth care facilities.

The donation of so much money and time would seem to indicate a great concern for Nebraska's youth. Key members of the Omaha business community, however, did nothing to help and plenty to wreck the Franklin committee's investigation into the sexual abuse, ritual torture, and murder of children.

Is it possible that some of these corporate leaders sit on the youth boards, for the same reason that Larry King founded the North Omaha Girls Club? Why, for instance, did the notorious pedophile Alan Baer join the board of the Boys Club? And after the extraordinary publicity over his pedophilia in 1989 and 1990, and his indictment for pandering, how is it conceivable that in 1991 *Baer was still on the board of Boys Club?*

Assume most corporate board members are not involved in child abuse. But judging by the behavior of the Omaha business community during the Franklin investigation, the ones who are guilty of such behavior enjoy toleration, or even protection, by the others.

• • •

These are the 1987 and 1988 boards of directors of the two FirsTier institutions. FirsTier was the bank Larry King's pilfered $40 million passed through, without anybody batting an eye.

FirsTier Financial, Inc.

1987

George P. Abel, Chairman of the Board, NEBCO, Inc.
Charles W. Durham, Chairman of the Board, Durham Resources
Perry E. Esping, Chairman of the Board, First Data Resources
John C. Kenefick, Pres. (ret.), Union Pacific Railroad
Walter Scott, Jr., Pres., Chairman of the Board, Peter Kiewit Sons
William C. Smith, Pres., CEO, FirsTier Financial, Inc.
Dale C. Tinstman, Chairman of the Board, Eaton, Tinstman, Druhner
Neal E. Tyner, Chairman of the Board, CEO, Ameritas Financial Services
Milton E. Whitehead, Chairman of the Board, Whitehead Oil Co.
Michael B. Yanney, Chairman of the Board, America First Corp.

1988 additions

Michael H. Walsh, Chairman of the Board, CEO, Union Pacific Railroad
Robert H. Daugherty, Chairman of the Board, Valmont Industries

FirsTier Bank, N.A., Omaha

1987

Alan Baer, President, Alan Baer & Associates
Anne S. Batchelder, Secretary, U.S. Check Book Co.
John G. Bookout, President, Woodmen of the World Life Insurance Co.
Lawrence Comine, Jr., CEO, FirsTier Bank, Omaha
Roy Dinsdale, President, Dinsdale Brothers
Steven H. Durham, President, Durham Resources
Philip B. Fletcher, Pres. and CEO, ConAgra Prepared Foods

John R. Maenner, President, Maenner Co.
Martin A. Massengale, Chancellor, Univ. of Nebraska, Lincoln
Lloyd H. Mattson, Chairman of the Board, Industrial Chemical Laboratories
John D. Minton, V. Chair, Dep. CEO, Mutual of Omaha
Thomas N. Moore, Exec. V.P., FirsTier Bank, Omaha
David R. Parker, V.P., America First Corp.
Kenneth D. Power, V.P. and CEO, Northwestern Bell
A.J. Scribante, Chairman of the Board, ViTal Resources
William C. Smith, Pres. and CEO, FirsTier Financial, Inc.
Hugh L. Tinley, President Emeritus, Farmers National Co.
William F. Welsh II, President and CEO, Valmont Industries

Directors Emeriti

Edd H. Bailey, Pres. (ret.), Union Pacific Railroad
Thomas C. Quinlan, Attorney
V.J. Skutt, Chairman of the Board, Mutual of Omaha
Robert H. Storz, Chairman of the Board, Storz Broadcasting Co.

1990 addition

Howard G. Buffett

In 1981, Warren E. Buffett was on the board of the Omaha National Corporation, which merged with First National Bank of Lincoln in 1984, to become FirsTier.

OMAHA BUSINESS COMMUNITY SUPPORT FOR FRANKLIN

Documents from Franklin Credit Union files show the financial backing to Franklin and Larry King from the Omaha business community.

DEVELOPMENT OFFICE DEPOSIT REPORT

Throught the efforts of Mr. Harold Andersen, deposits have been raised totalling $200,000 since the beginning of the year.

Anticipated deposits Mr. Andersen is working on total approximately $1,000,000 and are being followed up at this time.

Other Development Office activities include anticipated deposits of over $100,000 within the next few months, and they are currently being followed up on.

An undated report from Franklin's Development Office cited Harold Andersen's fundraising for the credit union.

Mutual of Omaha.
United of Omaha.

March 20, 1981

PERSONAL

Mr. Lawrence King
Executive Director
Consumer Services Organization, Inc.
Franklin Community Federal Credit Union
1713 North 33rd Street
Omaha, Nebraska 68111

Dear Larry:

Our 'mutual' friend, Andy Andersen of the World-Herald, has written us at some length concerning the great work you are doing with the Franklin. He suggested consideration of participation by our Organization, and the matter has been studied by the appropriate Departments.

The matter is receiving careful study, and we hope to come up with a decision early next month. We will be in touch with you at that time, but meanwhile want to congratulate you and extend best wishes for continued success.

With highest regards,

Sincerely,

WJS:BJD

A letter to Larry King from V.J. Skutt, then chairman and CEO of Mutual of Omaha, referred to lobbying for Franklin by Harold "Andy" Andersen.

Franklin Community Federal Credit Union

Consumer Service Organization
(Associated with Franklin Community Federal Credit Union)

33rd and Decatur Streets
Omaha, Nebraska 68111
Phone 558-6968

Branch Office
Woodson Center
3009 R Street
Omaha, Nebraska 68107
Phone 731-1170

Memorandum:
To: Tom, Joel, Kurt
From: Manager

CONFIDENTIAL:

Re: Kiewit Foundation

The Kiewit Foundation has agreed to grant Franklin $100,000* and to deposit $100,000.

The deposit will be in hopefully by the end of this year. I need the current interest rates that we can offer them, thus I am seeking imput from all of you.

The criteria for this deposit is that the interest from the $100,000 will not be used for administration costs, dividends, or operation costs. That the interest will be used for home improvement loans and housing rehabilitation loans only.

In addition, a agreement (contract) of sorts must be drawn up stating that Franklin will only use the acrued interest for these mentioned purposes. I believe we may need an attorney on this point.

*I do not want anyone to discuss this grant: we must keep this confidential because of the possibility that we can receive further funding later.

NOT FOR PROFIT, NOT FOR CHARITY, BUT FOR SERVICE

Larry King wrote this memo to his staff about funds forthcoming from the Kiewit Foundation, associated with the Peter Kiewit and Sons construction firm.

Joel - Respond to ones immediately - so we can get our money

UNION PACIFIC FOUNDATION

345 PARK AVENUE NEW YORK, N.Y. 10022

CHARLES N. OLSEN
PRESIDENT

May 27, 1980

Mr. Lawrence E. King, Jr.
Manager
Mr. Donald Glen Furlow
Grants and Development Officer
Consumer Services Organization, Inc.
3231 Decatur Street
Omaha, Nebraska 68111

Dear Mr. King and Mr. Furlow:

I am very pleased to formally advise you that the Board of Trustees of Union Pacific Foundation has approved a grant in the amount of $2,500 to the Consumer Services Organization, Inc. for 1980, which represents the second installment of a grant of $12,500, payable in five equal installments in 1979-83, inclusive, to assist your organization in helping individuals with consumer related problems.

Payment of this grant is scheduled to be made in June. I would appreciate receiving a status report on this project as the year progresses.

This grant is made upon the recommendation of officials of Union Pacific Railroad Company, which is an operating company of Union Pacific Corporation.

Sincerely,

In 1980, the Union Pacific Foundation informed Larry King of its latest grant. A handwritten note at the top instructs a Franklin employee to expedite the transaction.

DEPOSIT UPDATE
APRIL 21, 1981

V. J. SKUTT - MUTUAL OF OMAHA	$25,000
LEO DALY	25,000
PHILLIPS KILTNER, FIRST NAT. BANK	50,000
PETER KIEWIT	100,000
INTERNORTH	
ANTICIPATED	
BOYS TOWN, FR. HUPP	1,000,000
JOHN C. KENGFICK, V. P.	
SYNOD OF LAKES & PRAIRIES	
PETE MARROWICK / JACK McCOLLISTER - NWB	
SALEM BAPTIST CHURCH	$20 - 100,000
nr. EASTERDAY & WOODMEN TOWER	
EUGENE CONLEY	

According to this 1981 memo from Franklin Credit Union files, Boys Town, the famous orphanage, planned to deposit $1 million with Franklin. Boys Town officials maintained that they had no connections with Larry King or Franklin.

Scotch® 7660 "Post-it" Telephone Message Pads

To Joel

Date 7-21 Time 4:10

WHILE YOU WERE OUT

M Tim McCarthy

of Boys

Phone No. 498 1968

TELEPHONED		PLEASE CALL	
WAS IN TO SEE YOU		WILL CALL BACK	
WANTS TO SEE YOU		URGENT	
RETURNED YOUR CALL			

Message RE: housepluson job

Operator

Memorandum of a phone call to Joel Rogers, Franklin staffer and a homosexual lover of King, from a Boys Town official.

CHAPTER 13

THE WASHINGTON CONNECTION

In December 1990, Senator Schmit recalled an incident from almost exactly two years earlier, before the Franklin committee was officially established. "It was rather strange," Schmit said, "the first day that I decided to introduce the resolution [for a legislative investigation], while the resolution was being drafted, I was cautioned by an unknown person by telephone, that I was advised not to pursue the investigation, because it would lead, I was told, to the highest levels of the Republican Party. And I responded, that the investigation would go where it went."

Hard as the Omaha business community worked to distance itself from Larry King, there were even more strenuous efforts to insulate from the scandal anybody of national stature, with whom King had consorted. There was a lot to hide.

In the Republican Party, King had a meteoric rise. He sang the Star-Spangled Banner at a National Black Republican Council event in 1982, where President and Mrs. Reagan were guests of honor. By 1984, it was the GOP's national convention that heard the national anthem from Larry King. There in Dallas, he hosted his extravagant party at Southfork Ranch, where I saw Maureen Reagan draped over King all evening like a big blanket. In 1988, at the Republican national convention in New Orleans, King sang again. He made a ten-minute "get-out-the-vote" video on behalf of Bush, for the 1988 campaign.

The *Omaha Star*, newspaper of the city's black community, chronicled the rise in politics of Larry King. In his "Political Viewpoint" column of November 24, 1983, Ernest E. Bryant

explained why King was unable to stand for re-election as chairman of the Nebraska Frederick Douglass Republican Council.

> Chairman King has accepted a position in the Reagan/Bush re-election campaign. He was appointed by National Black Republican Council Chairperson LeGree Daniels, who was named Chairperson of the Black Voters for the Campaign, in the Reagan/Bush '84 re-election bid. She has appointed King as coordinator of all the activities to bring out the Black vote. In brief this means that Mr. King will be responsible for meeting with the Party officials and the Black Republican leadership within each of the 17 targeted states. He will coordinate the efforts of these groups in support of the Reagan/Bush campaign. . . . Mr. King will also be traveling to the 17 targeted states when President Reagan does, to draw state party officials and Black Republican leadership together.
>
> Mr. King has also accepted the Chairmanship of the National Black Republican Council, Development Committee for Fund Raising.

Stepping inside the Franklin Credit Union, visitors were greeted by a four foot high picture of Larry King with Ronald Reagan.

King's backers in the Omaha business community have plenty of ties to Washington, since Nebraska has been a favorite stomping ground for the national GOP. Although its population is just 1.6 million, the concentration of corporate wealth in the state makes it a priority for fundraising, with the attendant political and business back-and-forth. Peter Kiewit and Sons, for instance, contributed $100,000 to elect Richard Nixon, and later got the contract to build the subway system for the nation's capital. During the 1990 gubernatorial campaign, George Bush called Republican Kay Orr's reelection bid the most important race in the country; Bush visited Nebraska three times. (Orr lost.)

On the morning of February 7, 1990, Larry King was making plans to attend one of those fundraising events in Omaha, featuring President George Bush. Out of the blue, U.S. Magis-

trate Richard Kopf suddenly ordered King to be taken to a federal psychiatric facility in Springfield, Missouri, for "tests."

Senator Chambers reacted to King's abrupt disappearance, as reported in the March 17, 1990 *World-Herald:* "State Senator Ernie Chambers said Friday that he believes that Franklin Community Federal Credit Union head Lawrence E. King was 'whisked' out of Omaha 'in a hasty, almost clandestine way' last month so he could not attend an event at which President Bush spoke. Chambers said that a trial of King could prove embarrassing to 'powerful people at the national level.' "

The notes of Franklin investigator Gary Caradori confirm the senator's suspicions. On February 19, 1990, twelve days after King was whisked off, Caradori wrote:

> I was informed that LK was sent to Missouri for observation because the Secret Service had discovered that he had purchased a ticket to Governor Orr's breakfast with President Bush. LK was approached at a local floral shop, and was rushed to court by the Secret Service, or at their demand. This was so sudden, that LK's attorneys were unaware of what was going on.

The word in Omaha was that King, indicted in federal court May 19, 1989 on forty counts of financial wrongdoing, was planning to ask Bush for help.

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When Larry King traveled the political circuit, he evidently had two agendas. To the public, he was the rising GOP star with the resonant baritone voice. Something else went on behind closed doors.

At the Dallas convention in 1984, King threw his splashy party at Southfork Ranch, remembered by me and many other delegates as an unparalleled extravaganza. According to several victim-witnesses, he also arranged some private events during the convention. They recall being flown to Dallas, to be sexually used by convention-goers. Gary Caradori mapped the rec-

ollections of the Webb foster children, in his notes of February 28, 1990:

> During this visit [the children's aunt] Marcy informed [social worker] Joanie that [the youngest Patterson Webb sister] Kendra had told her she had been transported around the country several times, she thought to Texas and Louisiana. Marcy remembered Texas in particular, and a Republican Convention because one of the children, possibly Kendra, had a book of matches from Texas and that is how the children had known where they were at. Joanie stated she remembered that the children had been exploited sexually in Texas, and she indicated that it was [the] feeling this activity had been occurring for several years.

I was later to learn from Paul Bonacci, that he was also at the famed Southfork party. He described it for me in exact detail, some seven years after the party took place. He had been there for the purpose of providing sexual favors for people Larry King wanted to accommodate, satisfy, or compromise. Paul said he was one of a troop of teenaged boys and girls, whom King had shipped to Dallas for his purposes.

I have talked to Paul repeatedly about this party. I have listened to his description. Only by having been there, could someone describe the setting the way Paul did to me. Because I was there myself for the party, I am certain that Paul Bonacci was there and did not invent his story or his description of the party.

This was, it happens, just one of Paul's leads into matters surrounding Larry King and Franklin that I could personally check out and know the boy was telling the truth. Not because somebody told me he was telling the truth. Not because somebody said he passed a lie detector test on the subject. But because I was there and saw a part of it, and saw the exact same things this boy did.

Again in 1988, attendance at Larry King's party was virtually mandatory for any true Nebraska Republican attending the Republican National Convention, held this time in New Orleans. Most of the Nebraska delegation was transported to the party by bus. The theme of the festivities was Mardi Gras.

With me was my 12-year-old daughter, Jennifer, who met a black youth named Prince at the party.

"Look, Daddy, that boy's name is 'Prince King.' Isn't that a funny name?" Jenny said to me, as she looked at the name tag of the son of the man sponsoring the party, Larry King. Everybody had a name tag pinned on, immediately upon entering the party.

I am sure that, again, Larry King had youth at that party, whose sexual favors were used as gifts for this or that politician or businessman.

King's parties were designed to bring in everybody, from the innocent to the top-ranking businessmen and politicians. I personally attended the two largest parties he ever threw, as did many Republican officials. As a guest at the party, you would not know from the outer glitter, what sordid activity was going on behind the scenes. I am sure that was the character of many of Larry King's parties, particularly the political events. Outwardly, they had the appearance of legitimacy, with prominent people in attendance, from mayors to presidents, from businessmen to congressmen.

So, when people say to me, "Well, I was at one of Larry King's parties and I did not see any of this sex or drug or pedophilia stuff," I understand that they may be speaking with honesty and accuracy. As to what really went on, I believe they are wrong.

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Larry King spent his money far and wide, not just in Nebraska. One of the places he rented was a house for $5,000 a month, off Embassy Row in Washington, D.C., which formerly housed the Brazilian legation to the Organization of American States.

"When Larry entertained, it was a hot ticket," said a public relations man King hired, quoted by Rick Hornung and Michael Casey, in the February 28, 1989 *Village Voice*. "Virtually every high-ranking black member of the Reagan Administration had been out to lunch, over for drinks, or at a dinner party. The

food and drink were first rate, as was the mix of people—black, white, Republican, Democrat, young, old." For King, the emphasis was on the young.

King acquired contacts in Washington's homosexual prostitution scene, one of whom was the late Craig Spence. A lobbyist and political operative, Spence maintained a call boy ring that catered to the political elite and, unlike most D.C. call boy rings, offered children to its clients.

Spence's activities made banner headlines in the *Washington Times* on June 29, 1989: "Homosexual prostitution inquiry ensnares VIPs with Reagan, Bush." Spence's access was so good, that he could arrange nighttime tours of the White House for his clients. The *Times* added on August 9, 1989, that Spence "hinted the tours were arranged by 'top level' persons, including Donald Gregg, national security advisor to Vice President Bush. . . . " Spence, according to friends, was also carrying out homosexual blackmail operations for the CIA.

According to a Washington, D.C. investigative journalist who researched the Spence ring, "The way we discovered Larry King and this Nebraska-based call boy ring, was by looking through the credit card chits of Spence's ring, where we found King's name." Another investigator, with personal knowledge of the call-boy rings operating in Washington, put it this way: "Larry King and Craig Spence were business partners. Look at two companies, 'Dream Boys' and 'Man to Man', both of which operated under another service, 'Bodies by God.' "

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When Craig Spence turned up dead—a suicide, police were quick to say—in a Boston hotel room, in November 1989, it was the latest in the long string of deaths of persons linked to Iran-Contra covert operations and funding.

There is evidence that Larry King had Washington business in that area as well. "In the 6½ months since federal authorities closed Franklin, rumors have persisted that money from the credit union somehow found its way to the Nicaraguan contra rebels," said a *World-Herald* article on May 21, 1989.

The first *World-Herald* reporter on the Franklin case, James Allen Flanery, apparently found more than rumors about the money-laundering. In late 1988, Flanery called Carol Stitt to discuss what he had learned. Their conversation is related in a February 21, 1989 report by Jerry Lowe:

> Carol's notes also have a reference to Larry King running guns and money into Nicaragua. . . . Carol's notes on Dec. 21, 1988 reflect that she talked with Flanery and in addition to the Nicaraguan info he was also now talking about CIA involvement and provided info that yesterday (Dec. 20) the FBI quit cooperating with him. . . . Carol's notes next jump to Feb. 6, 1989, where she talked on the phone with Flanery and Flanery told her that the appropriate people didn't want to believe any of this and who was ever going to prosecute it. Apparently Flanery told Carol he was close to resigning and the reasons he didn't think anyone wanted to do anything was because of the possibility of a White House connection, the connections to a number of big people, and the fact that the investigators wanted badly to confine this all to the money. Also many white people made Larry King, he did not happen on his own.
>
> Apparently Flanery told Carol he was uncomfortable on the phone, his editor was distressed, and things he had written were continually edited, he wanted to get his by-line off the article printed the 9th among other things. . . . Flanery also expressed concern to Carol that if he didn't get off this story he worried about being compromised.

Soon Flanery was off the Franklin case, which continued for months to be the major news lead in Nebraska, and went to the University of Kansas on sabbatical. When he returned a year later, Flanery no longer wrote about Franklin.

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Squelching interest in an Iran-Contra connection to Franklin was also a topic of the hour, in that phone call I received from National Credit Union Administration official Fenner, back in the early months of the legislative Franklin probe. "Why would

the head of the NCUA be wanting to talk to me?" I wondered out loud, when my secretary said that Fenner was on the line.

The man on the other end of the phone said he knew I was a close friend of former CIA head Bill Colby, and that I also was Senator Loran Schmit's personal attorney. He quickly came to his point.

"I know there are a lot of rumors, that Franklin was being used as a front for laundering money for the Contras and that a lot of the money that is missing from Franklin actually went to finance the Contras."

I acknowledged that I had heard such talk, and told him, "I myself am one of those who wonder, if that is not a real possibility, in light of the way things have been shaking out on the Contra scandal."

Fenner then gave me a flood of details on the secret Franklin accounts, and where the missing money supposedly went. No destinations linked with Iran-Contra were mentioned.

"I know you recommended that Bill Colby be hired to investigate this matter," Fenner continued, "and that the committee rejected Colby. That was a big mistake. It is going to take someone of his ability and integrity, contacts and stature, to get to the bottom of this."

"So tell me," I said, "just what is at the bottom of it? If it is not laundered money involved in the Iran-Contra scandal, what the blazes is it? And how could Larry King get away with this, without you or somebody else knowing what was going on? Looks to me as if he had to have one heck of a lot of powerful political protection at the highest levels."

"Homosexuals," Fenner said, "Franklin financed the biggest group of homosexuals any state has ever seen. A lot of awfully powerful and prominent personalities involved. But probably not anything you can do anything about. As far as politicians go, it does not seem to go to the very top, as some of the rumors suggested."

"Are you telling me that the Franklin theft and scandal was just one big queer party, with a bunch of rich folk who do not want their involvement known?" I asked.

"Yes," replied Fenner, "and I am not sure we know who all

was involved. Larry King did very clearly have contacts at the highest levels, that made it possible for him to prevent proper audits. Otherwise, this could never have happened. But the money was not used for Iran-Contra purposes."

Reviewing that conversation from the vantage point of nearly three years later, I think that on both counts—where the money went, and the involvement of high-level political figures—I was hearing something short of the real story from Fenner, to put it charitably.

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Independent investigations confirm that there are ample grounds to question the conclusion of the NCUA-hired firm, FAG, that the nearly $40 million gone from the credit union was all squandered by Larry King on limousines, flowers, gold watches for his lovers, and the like.

Former political associates of King, sources on Capitol Hill, and intelligence specialists suggest that Larry King was one of dozens of owners and directors of savings and loans and other financial institutions, used by the CIA to help finance covert operations. From their information, a picture takes shape.

S&L managers, allegedly including King, would secretly lend CIA operatives bundles of depositors' money, supposedly on a 30-day basis. In some instances, hundreds of thousands and even millions of these dollars would be flown out of the United States, to destinations such as Switzerland and the Bahamas. The money would be invested for profit in short-term high-yield financial instruments or other overseas hot-money schemes. Before federal auditors could notice any money missing, it would be returned. Some of the profit would be used to pay off the cooperating financial officer and other intermediaries. The rest was funneled into slush funds for covert operations.

But the CIA would not always return the money. In 1990, a U.S. congressional committee was forced to investigate allegations that the CIA's financial machinations had been a factor in the collapse of several S&Ls. In an explosive series of articles

in the *Houston Post,* investigative reporter Pete Brewton wrote that during "an eight month investigation into the role of fraud in the nation's savings and loan crisis, the *Post* has found evidence suggesting a possible link between the Central Intelligence Agency and organized crime in the failure of at least 22 thrifts, including 16 in Texas."

One of the S&Ls named by Brewton was the Denver-based Silverado Savings & Loan, on whose board sat Neil Bush, son of the president. Sources have alleged that Silverado and Larry King's Franklin Credit Union had financial dealings with one another, but no independent confirmation has been obtained.

U.S. House of Representatives Banking Committee hearings on the Franklin Credit Union, held in 1989, did place Larry King in the right locations for covert operations. They established that during the 1980s, King traveled several times to Jamaica, where Lt. Col. Oliver North and other Iran-Contra principals transacted a lot of banking. They heard testimony that Franklin's chief accountant, Tom Harvey, together with his mother Mary Jane Harvey, made several trips to Switzerland, in the time period millions of dollars disappeared from the credit union.

In a memo dated June 18, 1989, Jerry Lowe noted that Larry King often received phone calls from Switzerland, that the staff at Franklin Credit Union had heard that King took money to Jamaica, and that Tom Harvey took money abroad, on numerous trips to Spain.

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Direct ties of Larry King to persons and institutions active in Iran-Contra are a matter of public record. In 1987, according to the *World-Herald,* King donated $25,350 to Citizens for America, a group that sponsored speaking tours for Oliver North and Contra leaders. CFA was a key public relations group for Iran-Contra; King was a founding member and one of its largest contributors.

According to his May 22, 1989 interview with Omaha radio station KKAR, King was trying to bring North to Nebraska. A

former security guard for King has sworn that he saw North attend at least one of King's parties, a party at which children were also present. Since he was stationed outside, he has no knowledge of what might have happened inside. "I just thought it seemed kind of curious, the whole set-up," he said.

The head of CFA, David Carmen, was a partner in Carmen, Carmen and Hugel, the public relations firm hired by Larry King to help set up one of his other projects, the Council for Minority Americans. It is alleged that Carmen, Carmen and Hugel was one of King's direct links to the CIA.

Another of the PR firm's partners was Max Hugel, formerly deputy director in charge of covert operations, under the late William Casey at the CIA. Hugel earned the post for services rendered to the 1980 Reagan-Bush campaign. Larry King met Hugel back then, since one of Hugel's responsibilities for the campaign committee was out-reach and liaison work with minority groups. Brought to the agency by Casey in 1981, Hugel lasted only a few months at the CIA and was forced out under a cloud of scandal.

King had a third friend at Carmen, Carmen and Hugel—Ambassador Gerald Carmen, the father of David. "What was Larry King doing with Ambassador Carmen?" reflected a Washington intelligence specialist, "It was the diplomatic pouches. . . . Larry had even been lobbying for his appointment as an overseas ambassador." According to a *Washington Times* report of December 15, 1988, King did seek an ambassadorial apointment. One source specified that he wanted to represent the United States in Jamaica, where his wife, Alice, was born.

During the height of Iran-Contra activities, 1984–86, Ambassador Carmen was in the right place to have served as bag man. He was U.S. Ambassador to the United Nations in Geneva, Switzerland from 1984 through August 1986. The United States ambassador to Switzerland in that period was Faith Whittlesey, who was depositioned by the congressional committee investigating Iran-Contra. Oliver North's multiple secret bank accounts were located at Credit Suisse. When Carmen left the diplomatic service in 1986, Carmen, Carmen and Hugel was and remained

deeply involved in Nicaragua. According to the intelligence newsletter *Unclassified* (December 1990-January 1991), "the Carmen group under a National Endowment for Democracy contract, handled the U.S. activities of the Violeta Chamorro campaign in the Nicaraguan elections."

If King was involved with CIA money laundering, that jibes with a report from a member of Concerned Parents: "I heard from two different black people in North Omaha that King used to send limousines down to Offutt Air Base [home of the Strategic Air Command] to pick up CIA personnel for parties."

The sometimes expansive Larry King used to talk fondly about his friends. In a Sept. 7, 1988, interview with the *Metropolitan* King said, "I know some of the people I admire aren't very popular. Ed Meese. The late Bill Casey of the CIA. And I love former Chief Justice Burger. Those are the people I really like to talk to. Bill Casey. . . . I just thought so very highly of him."

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Larry King adored Bill Casey, but what about one of Casey's predecessors at Central Intelligence—George Bush? Ever since July 23, 1989, when the lead editorial in the *World-Herald* said that "one child . . . is said to believe that she saw George Bush at one of King's parties," King's connection with Bush has been a frequently asked question about the Franklin case. Anxiety on this account has run especially high in Omaha's black community, where in December 1990, one young lady stood up at a public meeting and proclaimed, "I think George Bush is involved in this child abuse case, and that is why all these people have been dying."

Inside investigators of Franklin, and the Webb case before it, know that Bush's name came up at the very beginning, and it came up more than once. The July 1989 *World-Herald* column, in an attempt to discredit this and other victim-witness testimony, attributed the mention of Bush to a person "under psychiatric care," meaning Loretta Smith. In reality, the report was from Nelly Patterson Webb.

Nelly first brought up Bush in 1986, when she told Julie Walters about the sex parties she was flown to in Washington and Chicago. She saw Bush at two of these parties, she said, one in each city.

Nelly also told Walters that one frequent party-goer with King was a boy named "Brent," the one who was "flown to another city somewhere" after a falling out with King. Walters did not have the resources to cross-check this information with the life of Brandt Thomas, the Boys Town resident who had moved in with Larry King. Franklin credit union files contained a letter signed by King, in his capacity as Youth Affairs Committee advisor for the National Black Republican Council, listing Thomas as one of two national contact people for NBRC campus chapters.

Three years later, with an investigation of abuse by King and the Webbs finally under way, Nelly was interviewed again. Speaking to Franklin committee detective Jerry Lowe, she repeated her account of the Chicago party, and said that Bush and the two men he arrived with appeared to have left the affair with a young black man she called "Brandt."

Of course, as I have made clear, mere attendance by a politician, be he the president or any other office-holder, at a Larry King party does not mean that person knew of or was involved in Larry King's sordid activities. Almost every top Nebraska Republican, including myself, attended the two largest parties King ever hosted, the ones at the Republican national conventions in 1984 and 1988.

Bush's name surfaced again in Lowe's May 1989 review of reports by Thomas Vlahoulis from the state attorney general's office:

> Sorenson told Vlahoulis that both Kimberly and Nelly brought up the name of George Bush and indicated that they had both met him. . . .

On June 10, 1989, Lowe received a letter from a citizen:

> There is a psychologist in Omaha who used to work for the CIA. In response to a direct question by an Omaha

> psychiatrist regarding George Bush's private life, this psychologist reported hearing rumors when Bush was head of the CIA, that correspond directly with one of the inferences made by Nelly Webb, and commented to the psychiatrist, "But how do you investigate your boss?"

Whether or not a Bush presence at King's parties were confirmed, he certainly backed key Nebraskans tied to King.

In August 1990, Bush appointed Ronald Roskens of Nebraska, to head the Agency for International Development (AID). Roskens had been fired the previous year as chancellor of the University of Nebraska, where Larry King was a member of his "chancellor's advisory committee."

Gary Caradori's daily notes for Feb. 19, 1989 record:

> I was informed that Roskins [sic] was terminated by the state because of sexual activities reported to the Regents and verified by them. Mr. Roskins was reported to have had young men at his residence for sexual encounters. As part of the separation from the state, he had to move out of the state-owned house because of the liability to the state if some of this sexual behavior was "illegal." Upon Roskins vacating the house, he was provided a house by Joe Seacrist [sic] of the Lincoln *Journal-Star*.

The leadership of AID is the kind of sensitive job—AID assignments have been used as a "cover" by CIA agents, for instance—for which appointees undergo a background check that would have to turn up what Caradori also heard. Nevertheless, George Bush appointed Roskens.

When Harold Andersen's reputation sagged in the fall of 1989, due to his unconcealed association with Larry King, his friends at the Nebraska Society of D.C. staged an awards dinner in Washington to polish his image. George Bush sent a testimonial letter in praise of the adviser to the U.S. State Department and occasional horseshoes-player at the White House. Bush wrote about Andersen and his wife: "These two outstanding individuals have spent countless hours serving the city of Omaha and the state of Nebraska. Throughout Harold Andersen's career with the *Omaha World-Herald,* he has made

that fine paper an example of journalistic integrity. In addition, he has been a vigorous promoter of efforts to improve the quality of life in his community."

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Like George Bush, Harold Andersen moves in the upper circles of the U.S. intelligence community. The career of another Nebraskan, Robert Keith Gray, illuminates that milieu and why it would be so congenial to a person like Larry King.

Gray is the chairman and CEO of Hill and Knowlton, one of the two biggest public relations firms in the world, with such blue-chip clients as AT&T, IBM, Xerox, and DuPont. CBS-TV's *60 Minutes* has called Hill and Knowlton "by far, the biggest, most influential PR firm in Washington," adding that "critics accuse them of being an unelected shadow government."

Gray first came to Washington, D.C. during the Eisenhower Administration, as Ike's appointments secretary and then secretary of the cabinet. He went to Hill and Knowlton in 1961.

Gray played a role in Ronald Reagan's 1976 presidential campaign and, in 1980, he was deputy director of communications, reporting directly to Bill Casey. On the strength of his connections in the new administration, he left Hill and Knowlton to set up his own PR firm. Within a year, Gray and Company secured over $9 million in billings from a clientele including Warner Communications, NBC, GTE, Mutual of Omaha, the American Trucking Association, the American Iron and Steel Institute, and the governments of Canada and Turkey. In 1986, Hill and Knowlton bought out Gray and Co.; Gray became chairman and CEO of Hill and Knowlton.

Said to be Harold Andersen's "closest friend in Washington," Gray is also reportedly a specialist in homosexual blackmail operations for the CIA.

Gray's own sexual proclivities were the subject of an article in the July-August 1982 issue of *The Deep Backgrounder*, entitled "Reagan Inaugural Co-Chairman Powerful 'Closet Homosexual'?" *The Deep Backgrounder* tabloid featured exposes

of homosexual networks in Washington, D.C.; its contributing editor was former senior CIA official Victor Marchetti.

During the Watergate era, Robert Keith Gray served on the board of Consultants International, founded by CIA agent Edwin Wilson. When Wilson and fellow agent Frank Terpil got caught running guns abroad, Gray tried to deny his connection with Wilson. "Yet ten years before," according to Peter Maas' book *Manhunt,* "in a top secret Navy review of Wilson's intelligence career, Gray described Wilson as a person of 'unqualified trust,' with whom he'd been in contact 'professionally two or three times a month' since 1963."

Author Jim Hougan, in *Secret Agenda,* reported another aspect of Wilson's work for the CIA:

> According to fugitive ex-CIA officer Frank Terpil, CIA-directed sexual blackmailing operations were intensive in Washington at about the time of the Watergate scandal. One of those operations, Terpil claims, was run by his former partner, Ed Wilson. Wilson's base of operations for arranging trysts for the politically powerful was, Terpil says, Korean agent Tong Sun Park's George Town Club. In a letter to the author, Terpil explained that "Historically, one of Wilson's Agency jobs was to subvert members of both houses [of Congress] by any means necessary. . . . Certain people could be easily coerced by living out their sexual fantasy in the flesh. . . . A remembrance of these occasions [was] permanently recorded via selected cameras. . . . The technicians in charge of filming . . . [were] TSD [Technical Services Division of the CIA]. The unwitting porno stars advanced in their political careers, some of [whom] may still be in office."

Gray's associate Wilson was apparently continuing the work of a reported collaborator of Gray from the 1950s—McCarthy committee counsel Roy Cohn, now dead of AIDs. According to the former head of the vice squad for one of America's biggest cities, "Cohn's job was to run the little boys. Say you had an admiral, a general, a congressman, who did not want to go along with the program. Cohn's job was to set them up, then they would go along. Cohn told me that himself."

The first president of Tong Sun Park's George Town Club, where Wilson's sexual blackmail operations were reportedly run, was Robert Keith Gray.

Gray maintained his intelligence connections during the Reagan Administration, according to an affidavit filed with the Southern District of Florida Court on December 12, 1986, by Attorney Daniel Sheehan for the Christic Institute. The affidavit states that when CIA chief Casey, national security adviser Robert McFarlane, and NSC staff member Lt. Col. Oliver North were devising a method to circumvent a congressional ban on arming the Contras, they turned to Gray and Company.

Gray employee Rob Owen set up a private group to solicit funds for the Contras. Owen was called before Congress, to testify on how he delivered bags of cash to the Contras.

In February 1989, Hill and Knowlton's Charles Perkins rushed to New York, for a fraction of the firm's usual fee, to help with public relations for Covenant House. The youth organization's director, Father Bruce Ritter, was alleged to have molested youth who took refuge with him.

Lauded by the Reagan and Bush Administrations as a showcase for the privatization of social services, Covenant House had expanded into Guatemala as a gateway to South America. According to intelligence community sources, the purpose was procurement of children from South America for exploitation in a pedophile ring. The flagship Guatemalan mission of Covenant House was launched by a former business partner of Nicaraguan dictator Anastasio Somoza, Roberto Alejos Arzu, who had ties to the CIA, according to the *Village Voice* of Feb. 20, 1990. The *Voice* quoted Jean-Marie Simon, author of *Guatemala: Eternal Spring, Eternal Tyranny:* "It's like having Idi Amin on the board of Amnesty International."

A top source of money for Covenant House has been Robert Macauley, founder of Americares, a service organization implicated in channeling funds to the Contras. A close friend of the Bush family since Connecticut, Andover and Yale days, Macauley has George Bush's brother Prescott on the Americares' board. Father Ritter was a vice president of Americares, at least until he had to resign from Covenant House

in February 1989, and spent weekends at Macauley's estate in Connecticut, according to a former Covenant House employee.

As in New York, also in Nebraska an institution that sheltered child abuse could count on protection from Washington. The attitude of federal agencies towards Larry King's Franklin Credit Union fits the mold.

All the way back in 1984, a Franklin teller named Edward Hobbs tried to blow the whistle about the embezzlement of funds from the credit union. He addressed a memorandum to his employers, and traveled to Lincoln, the state capital, to brief state banking officials on its contents. National Credit Union Administration (NCUA) examiners saw Hobbs' memorandum later that year. The memo covered evidence of embezzlement, and information Hobbs had, that promotions at Franklin were based on doing homosexual favors for its manager, Larry King.

The only visible result of his initiative was that Edward Hobbs lost his job.

Between 1985 and 1988, Franklin skipped the annual audit, required by federal law for institutions of its type. The Legislature's Franklin committee was told that when an audit was called for, King would pick up a special phone, call someone in Washington, and the audit would be called off.

I got the whiff of a Washington connection, when I first inquired about Franklin. As I explained it at a public meeting in December 1990, "I first noted something a little funny with the credit union when a good friend of mine and sometimes adversary on occasion, named Ernie Chambers, complained that the major financial institutions weren't making loans into the black community, that they were red-lining, in other words making sure the financing couldn't go into the black areas. As I began to investigate, I tried to find out information on . . . [Franklin]—what was it doing to get loans there? . . . I found out that all the king's horses and all the king's men couldn't get information because, I was told, that was none of my business and if I didn't like it, to talk to the Feds and if you talk to the Feds you could find out nothing."

CHAPTER 14

COVER-UP PHASE III: THE FBI

In a deposition taken October 13, 1989, John Stevens Berry, counsel for the Franklin committee, was grilling OPD Chief Wadman about the lack of OPD follow-up on the child abuse when it was first reported. In exasperation, Wadman replied:

> The tough thing with this, Mr. Berry, is that we have the FBI who conducts an investigation and basically says the same things that we have said. If the FBI, are they now linked to this cover-up in some way? Should the Justice Department be investigated as somehow or another assisting in this "cover-up?"

Wadman said it, but in this case it's true. The Justice Department, acting through the FBI and the U.S. Attorney's Office in Omaha, emerges from the record of the Franklin investigations not so much as a party to the cover-up, but as its coordinator. Rigging grand juries, harrassment of witnesses, incitement to perjury and tampering with evidence—federal personnel were seen to apply all of those techniques in the Franklin case.

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In a case full of reported trips across state lines for sexual exploitation purposes, involving prominent persons from the national political parties, where was the Federal Bureau of Investigation? It was running interference, and worse.

Maybe Senator Schmit and I got the message in its purest form, when we met with Omaha FBI head Nick O'Hara in his

office in early 1989. O'Hara, who kept Wadman's picture on his desk, threatened, "You f--- with Bob Wadman, you f--- with the FBI!"

There was a hint of trouble from the Bureau already in the summer of 1988, as OPD Officer Irl Carmean recollected in a memo to Deputy Chief Charlie Parker, dated December 20, 1988. A fellow officer had just reminded Carmean of a meeting back in July or August, where

> Lt. [Bill] Goodrich spoke of the Larry King investigation and stated that he (Goodrich) had been in contact with a federal agency that was also investigating King. To the best of Officer Berney's recollection, Lt. Goodrich said that the federal agency was concerned that our child pornography/abuse investigation might hamper their investigation. Officer Berney told me that although he wasn't sure, it was either directly stated or he (Berney) got the impression that we were to either "slow down or back off" in our investigation so as not to impede the federal case.

In 1988 and 1989, according to testimony to the Legislature's Franklin committee, the FBI claimed to be interested in Franklin money issues, but not child abuse. Dennis Carlson of the Foster Care Review Board testified to the Franklin committee, citing state Assistant Attorney General William Howland, that U.S. Attorney Tom Thalken had said "that the federal authorities were investigating Mr. King. . . . But he said basically their investigation was confined to the money issues, and they were not specifically investigating allegations of child abuse."

Howland's part-time investigator, Vlahoulis, told the Franklin committee that it was his impression the FBI had information on private charter flights, something Gary Caradori would confirm in a dramatic way.

Moreover, as advertised in a May 12, 1990 article in the *World-Herald*, the FBI had been looking at Franklin since 1987, for over a year before it was closed! The FBI men could hardly have been unaware of the Franklin ambiance, not to mention the bedroom in the new addition, and the evidence shows that they were not. It was reported in the *Lincoln Journal*

in December 1988, as summarized by Jerry Lowe for the Franklin committee, that "an ex-employee who is not identified said that when FCU shut down, FBI agents immediately began asking questions regarding child pornography, drugs and the lifestyle of Larry King."

Caradori's notes of March 14, 1990 record that on the day of the federal agents' raid, he was told by a member of the accounting firm that was auditing Franklin, that

> a large amount of pornographic material was taken out of the credit union, including videos and photographs depicting sexual acts. I was told that if Friedrichs* or any of the other people working for the CPA firm that was contracted by the government would say anything, that they would automatically lose their jobs.

That evidence was never made available to the Franklin committee, nor its existence publicly acknowledged by the FBI. All warrants concerning the raid were sealed by U.S. Magistrate Richard Kopf.

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The Douglas County grand jury proclaimed on July 23, 1990, that the allegations and evidence of Franklin-linked child abuse were a "carefully crafted hoax." Its report implied that the perpetrators were Alisha Owen, journalist Michael Casey, and the late Gary Caradori. According to testimony of Alisha Owen and her parents before the Franklin committee, the FBI had this line already in March of 1990, *before the grand jury even started sitting.*

Alisha testified to the Franklin committee on June 11, 1990, before promulgation of the grand jury report, that her former lawyer Pam Vuchetich had come to see her in the spring,

> giving a proposal from the FBI that if I recanted my story then nothing would happen to me, I could possibly get out of prison and no charges would ever be brought against me. Such as, if I recanted my story, they wouldn't charge me with perjury, they wouldn't charge me with lying, they would just drop the

whole thing, they would write letters to the judge asking for my sentence reduction so I could get out of prison. And if—and in this deal I would have to say that Gary Caradori and Mike Casey came to me, they set this whole thing up, they told me what to say, we got scripts, we were promised monetary values. And I would be taken care of.

On June 21, 1990, Donna and Alvin Owen told the Franklin committee about that incident.

DONNA OWEN: My concern is that Pam came to us and said that the FBI wanted Alisha to say this, to drop it.

SENATOR LYNCH: You testified that your husband was there?

ALVIN OWEN: Sitting in the living room, I remember.

SENATOR LYNCH: You heard her say that? . . . Did she tell you who in the FBI made that deal, made that offer to her?

DONNA OWEN: Mickey Mott. . . .

SENATOR LYNCH: Was Mickey Mott—was there anybody else with this Mickey Mott?

DONNA OWEN: He works closely with Rick Culver and John Pankonon.

SENATOR LYNCH: Okay. Well, for the record, do you remember the date at which time she told you about the FBI deal when your husband was present?

DONNA OWEN: This would have been on Tuesday, I believe. If Tuesday is April 25, then it would have been Tuesday, April 25, 1990. It would have all—that was brought up then, but it was also brought up earlier, in March. Because at that time, I called Senator Labedz and I said, do you realize that this is what is happening and I want to tell you this because I think when all is said and done it's not going to just be this man Mike Casey, they are going to say that Gary Caradori was in on it and that members of the legislative committee were in on it. And she was very concerned and she immediately went to get Senator Schmit and I talked with him about it also. And that would have been in March.

SENATOR SCHMIT: I recall that.

. . .

In order for the FBI to claim that all of the Franklin committee's evidence was a hoax, they had to break one or more of the witnesses Caradori had taped. Troy Boner and Danny King recanted; what happened with Troy shows the hand of the FBI.

On the evening of July 11, 1990, the day her husband crashed to his death, Sandie Caradori received several phone calls from Troy Boner. She wrote up her notes on the calls:

> I need to preface this writing by explaining that in the course of the Franklin Credit Union investigation, many calls were received at our home from Troy Boner. I was familiar with the individual's voice and can be 100% assured that I did, in fact, receive the telephone calls from him.
>
> In the early evening of Wednesday, July 11, 1990, several telephone calls were received at our home by an individual identifying himself as "Troy." Different individuals answered the telephone and took the message from him. I was either talking to other visitors at our home or in no shape to come to the telephone. In any event, if necessary I can supply names of the parties who can attest to the fact that a "Troy" called for me during that evening.
>
> Later in the evening, Troy again called and I was able to go the telephone. It should be noted that I did not initiate the call, nor did I know what, if anything, he wanted to speak to me about.
>
> The following is a synopsis of the conversation:
>
> SC: This is Sandie Caradori. . . . Troy, what do you want to say?
>
> TB: First, you have to be careful.
>
> SC: Troy, that is the least of my worries. How are you?
>
> TB: I am so sorry. I am so sorry. He shouldn't have died.
>
> SC: What are you saying Troy? What are you trying to tell me.
>
> TB: Gary wasn't lying. He didn't tell me what to say. What I told him was the truth. (He spoke rapidly as if fighting

back tears.) They made me take it back. They threatened me.

SC: Troy, you should tell someone. . . . Do you want me to call Senator Schmit? You need to come out with the truth once and for all. Troy, what has happened?

TB: You don't understand, they threatened me. They made me take it back. I was so scared.

(At this point I felt I needed someone else to hear this so I asked Troy to tell what he had just told me to our son, Sean.)

SC: Troy, I want you to talk to Sean, Gary's 16-year old son. Please tell him, alright?

TB: Yeah, sure.

SEAN: Yeah, man what do you want?

I, along with the ten to 15 other people in our kitchen/family room heard Sean's portion of the conversation as follows:

SEAN: Okay buddy, you need to do it for my Dad, man. Okay . . . Okay . . .

I got back on the telephone and told him I would try to contact Senator Schmit or Karen [Ormiston]. He said he'd be at [phone number] but only for a short time. He said he was going to be "on the move" or something to that effect. He further stated, "I'll go to anyone who'll listen. I'll go without my lawyer. I'm gonna come clean."

He then asked if I would talk with his mother. She wanted to talk. I said, "Of course."

Troy's mother's voice was familiar. She had called our house several times for Gary. . . . Troy's mother related the following:

MRS. BONER: Mrs. Caradori, I am so sorry. I'm so sorry. This is such a tragedy. I knew something happened to Troy. He got so scared just before he changed his story. They were threatening him. I knew he shouldn't have backed away from the truth. . . .

Troy then got back on the telephone and I repeatedly asked that he would promise me that he would come through for me, for Gary, and for A.J. He said, "I promise . . .

> tomorrow. . . . To anyone who will listen . . . the FBI, the news—anyone."
>
> The next day I did not hear anything on the television or the radio and I really felt that Troy had probably backed away. That evening he called me again. He said, "Sandie, I tried, I tried. I went to Mickey Mott and . . . . . (FBI agents). They laughed at me. They said they spent too much time and money on this case now for me to change my story. I also went to Frank Brown [Channel 7 TV] but he said he didn't want to take a statement because of my Grand Jury testimony."

. . .

The next day, Sandie Caradori arrived at the offices of her husband's firm for the first time since his death, to find two FBI agents already there, with a subpoena for all of Caracorp's records. Mrs. Caradori recalled:

> I was extremely upset because the timing certainly left much to be desired. I opened the closed door and noted two FBI agents, Karen Ormiston, and our security director, Joe Hebenstreit. They were all seated in the office. I said, "I don't think I need to introduce myself. What are you doing here? I can't believe this."
>
> The smaller individual stammered a bit and looked at Karen and said, "Who . . . who is this?" "She's Gary's widow." He then halfway stood up and extended his hand as if to shake mine and expressed his/their sympathy. The whole ordeal was extremely unprofessional. He then looked over his shoulder at the other agent, gave him a smirk, and shook his head. He identified himself as Mickey Mott. . . . I then asked them directly whether Troy Boner had tried to speak with them on the previous day. Mr. Mott said, "I can't confirm or deny that." I indicated that I did deserve an answer. Mr. Mott then said, "Yeah, he came to the office but we can't waste our time with him. He has lost all credibility."

Troy Boner did attempt to come clean. He went not only to the FBI office, but to Senator Schmit's—and then pretended he had not. The *World-Herald* reported July 27, 1990:

> State Senators Loran Schmit of Bellwood and Bernice Labedz of Omaha said Troy Boner told blatant lies when he said he did not come to Schmit's office last week and when he said he didn't recant what he told a Douglas County grand jury. . . . Schmit said at least eight people were in his office last week when Boner, in essence, recanted his recantation and said that what he had originally told Caradori was the truth.
>
> Six of the eight appeared at a press conference Thursday, including four—Schmit, Sen. Labedz, Caradori associate R.J. Nebe and Jody Gittins, an attorney who works in Schmit's office—who said they heard Boner's comments directly. . . . The six at the press conference Thursday said Boner was in Schmit's office both July 16 and July 17, the day of Caradori's funeral.

Under pressure, Boner reasserted that what he told Gary Caradori was not true. His new lawyer, Marc Delman, insisted that his client *had* lied to Caradori. A specialist in child abuse cases when he worked in the Douglas County Attorney's Office, Delman was now better known for defending pornographers. Since Boner was penniless, many people in Omaha wondered if Alan Baer or another patron had given him the money to hire Delman.

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On Sept. 25, 1990, a federal grand jury returned findings almost identical to those of the Douglas County jury:

> There is no credible evidence for us to believe that funds or individuals connected with the Franklin Community Federal Credit Union were involved in the sexual exploitation of minors, the interstate transportation of minors, the interstate transportation of minors for sexual purposes or the trafficking in controlled substances.

All of the big shots named in the Caradori investigation were cleared:

> There is no credible evidence for us to believe that any prominent individuals in the Omaha community were in-

volved in any ring of organized activity to sexually exploit minors, transport minors in interstate commerce for sexual purposes, or to traffic in controlled substances.

Alisha Owen was indicted again, on eight counts of perjury.

The FBI, as Boner said, had threatened Boner into recanting his videotaped statement, which enabled the Douglas jury to return its "carefully crafted hoax" verdict, and set the pattern for the federal grand jury. Federal officials in charge of the latter, in particular Assistant U.S. Attorney Thomas Thalken, attempted to terrorize Alisha Owen into recanting as well.

In testimony to the Franklin committee on June 21, 1990, Owen told about her experience with the federal grand jury, in an exchange with committee counsel.

BERRY: Now, I do not want to know what questions were asked and what answers you gave. But you told me earlier that your life hasn't been easy and the worst three days of your life were in front of the county grand jury. Was the federal grand jury a more pleasant experience or—

OWEN: Well, now I have to clarify that statement. No longer—the worst three days of my life were not in front of the county grand jury but they were in front of the federal grand jury. . . .

Imagine if you were woken up at 5:00 in the morning, told to take a shower and get dressed. You were not told where you were going. I mean, if sombody came to your home at 5:00, did not tell you where you were going, they had the authority to drag you out of bed. After you got dressed you were then taken outside your home and wrapped in chains and driven two hours to another city, all—you were still not told where you are going and what is actually happening. Officially you are not told.

Then once you get to this other city, you're put into an actual cage. I mean, I have seen kennels look nicer than where I was held. And five minutes before 9:00, you are given a subpoena telling you that you have to testify at 9:00 in front of a grand jury. Now, that—I mean that in itself is suspect. Okay. Especially if you are the witness. I might be able to understand it if you are the perpetrator. . . .

I am in a room and it's a cage, okay, it's—it really is a

> cage like a zoo cage. The whole front is just a cage. And there is a hallway and there is—there is an open door so I can hear what's going on in the hallway because it's just a cage, there is no sound barrier. I heard Mr. Thalken repeatedly and repeatedly in a very disrespectful—what I consider dis—I wouldn't talk to anybody like that, disrespectful tone, saying things repeatedly, over and over, if she gets up there and she doesn't tell the truth I'm going to charge her with perjury. Over and over and over and over again. I have not heard the word perjury so many times in my entire life than that day. . . . He was saying this to my attorney, saying I'm going to put her on the stand and if she doesn't, you know, if she doesn't tell the truth I'm going to charge her with perjury.

Alisha's attorney Henry Rosenthal confirmed her account:

> Well, I don't know Tom Thalken. . . . He came at me like a little grizzly bear. . . . And he had a finger about two inches from my nose and kept yelling about perjury. And I didn't even know what he was talking about. Over and over about this and that and this and that. I said, let me tell you, if you think you have got any evidence of perjury when she's done, please charge her, just please do that. And that's—every time there was a recess, yelling about perjury. . . . This was before the evidence even started.

Long before Thalken's behavior in dealing with Owen, his name had surfaced in Gary Caradori's investigation, as an alleged pedophile who frequented adult book stores in Council Bluffs, Iowa. Moreover, a confidential informant told Caradori, that Thalken was key to the cover-up in progress. In a February 22, 1990 report, Caradori transcribed an interview with this confidential informant.

> GC: Are the federal people still putting me down, have you heard? I mean they want me off this case.
>
> CI: Well, they don't want anybody to get too close to it. . . . This thing is way bigger than Nebraska. . . . You get one of those dominoes to fall I think it could reach to the White House and back so fast. That's why it's just almost hopeless.

GC: What have you heard that they're doing [sic] to do to try to squash this case?

CI: Well, their ace in the hole is the assistant prosecutor.

GC: Thalken.

CI: Yeah. And the term was a year ago, finger in the dike.

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Rosenthal was Alisha's second lawyer. He succeeded Pamela Vuchetich, who had conveyed to Alisha the FBI's offer of a deal, from Vuchetich's friend Mickey Mott. In her Franklin committee testimony of June 11, 1990, Owen reported another incident involving Vuchetich and the FBI, which appeared to be an attempt to craft some evidence of the "carefully crafted hoax":

> They had Troy call me in the beginning of March. He called me in the afternoon and I got on the phone. . . . Pam had told me that Troy had recanted his statement about Danny. She never told me he recanted his statement about me. And you know, maybe I was naive, maybe I was just dumb, but I never once thought he could do that because, I mean, I had all this evidence, you know, and I mean, I'm the one that—you know, that told them about Troy and others. It never dawned on me that he would ever do that, recant about Danny.
>
> So we—I got on the phone and I—one of the first things I asked him was, why are you doing this to Danny, he's one of your best friends, how could you do this, what are you doing? And he said, something, Alisha, I'm scared. And his voice—the FBI has this tape. His voice is just really scared.
>
> And I know Troy sleeps until 4:00 or 5:00 at night, so I started to think oh, my God, he's in Omaha for a week, it's 3:00, 2:30 in the afternoon, somebody must be at his house making him do this. And I thought this must be a taped phone conversation. I was—I was literally scared. I thought either they sat down a lot of money in front of him or else somebody has got a gun to his head making him say this. I

mean, I never thought—it never dawned on me the FBI would be so, you know, devious as to try and do something like that.

So I asked him, why are you doing this? And he—and he said, Alisha, I'm scared, I don't know what to do, tell me what to do. And then he asked me, quote, unquote, do you think we're going to get any money? And I—I stopped for a second and I said, I don't give a damn about any money, you know, just tell the truth. That's what I said, quote, unquote. Excuse my French. But I just—just tell the truth. He said, what should I do? And I said, just tell the truth.

And he kept trying to make these leading statements, Alisha, what should I do? And that's when I realized at that point in time that whoever was listening was probably law enforcement, trying to do entrapping statements. . . . And after I got off the phone, I tried to get ahold of Pam. Well, Pam is sitting down in the FBI's office with them making that call. Tried to get hold of Pam, Pam is not around. So I was upset enough and I was worried enough that possibly somebody was sitting there with a gun that I called Gary. And I thought, okay, if anybody is going to be able to do anything or know anything, Gary will know or he'll be able to find out.

I called Gary. And Gary said, Alisha, Troy is sitting down at the FBI's office right now. So okay, I knew that the FBI was the one that prompted him to that call. . . . So Gary told me that it was the FBI. And Gary said to me at that time, Alisha, maybe you should start wondering why your attorney is spending so much time with the FBI.

Against Alisha Owen's specific instructions, she reported, Vuchetich turned over to the FBI a file that Alisha maintained on acquaintances from her past. Vuchetich had suggested she assemble this information. In it were the names of some people, like former boyfriends, who could be expected to be bitter toward her.

Alisha Owen told the Franklin committee, that the FBI also directly advised her to tell a lie—to say that she had lied on the videotapes.

SENATOR SCHMIT: In other words, they advised you to say that you had lied on the tapes?

ALISHA OWEN: Uh-huh.

SENATOR LABEDZ: The FBI?

OWEN: The FBI had advised me that I should say that not everything on the tapes is true, just a blanket statement, and say not everything on the tapes is true, and that I should forget all about the tapes because they can come back to hurt me.

SCHMIT: I want to interrupt there because that is almost an identical statement that we heard in the press made by Troy, that not everything on the tapes was true.

OWEN: That's what they told me to say. . . . And there were times when they tried to get me to say that Gary Caradori was withholding evidence from them, there were times when they—they basically really rammed Gary into the ground.

Caradori wrote in his daily notes of April 20, 1990:

> At approximately 1415, this writer received a telephone call from Alisha Owen. She talked about the FBI hinting to her that if she changed her story that they would insure that they would "go after" this writer and Mike Casey for "fabricating" an investigation. She informed me that she had not fabricated any part of any story and that she was sticking to the story she told me, and that she wished me well. For my own protection, I tape recorded the telephone conversation which lasted approximately 30 minutes.

According to an associate of Caradori, Franklin committee counsel John Stevens Berry alerted Caradori that he should get a lawyer, since he would likely be indicted.

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Alisha was not the only witness the FBI was reported to have harrassed or told to lie. At a Franklin committee session on June 22, 1990, Senator Labedz related her discussion with former Franklin employee Noel Seltzer:

> One of the most important things that I thought he told me was the fact that when they first went into the investigation of Larry King, he was talked to by the FBI and he told them mostly everything that he told me about the sexual abuse and so forth. And then he said he was told by the FBI, we're going to advise you it's best for you that you keep your mouth shut. And I said, say that again, and he repeated it so I could write it down.

Gary Caradori interviewed a victim-witness named Terry Muller*. In his daily report of April 20, 1990, Caradori wrote:

> Further this writer received a telephone call from Sue Tompkins*, sister of Terry Muller. Briefly, Sue told this writer that the FBI and a member of the State Patrol were harrassing her brother and trying to get him to talk about things that he just didn't know about. She stated that her brother is extremely scared. He wants to tell the truth, however, he felt extremely uncomfortable with the FBI and State Patrol investigators. She stated that a Phillips and FBI Agent Coulter were very harsh with her brother.

On May 4, 1990, Caradori added:

> Following this meeting, this writer placed a telephone call to Sue Tompkins, who is the sister of Terry Muller. She advised me that Terry had retained an attorney to protect him from the FBI. I told her that I wished him well and hoped that everything worked out for him.

Caradori's investigative notes for February 19, 1990 record his talk with Joanie Gregory, a Department of Social Services social worker who screened families applying for foster care licenses:

> Approximately 2.5 years ago she was inspecting the home of Jarrett and Barbara Webb for a renewal of their license. She felt the environment was not right and wrote a letter to DSS in Lincoln. She received no response. After a couple of months, she wrote a letter to the Omaha Police Department regarding this same situation with the Webbs. She was then contacted by the FBI. In the meantime she had tried to do some research on her own, but evidently files were missing.

> To this writer's knowledge, a letter was not written to the FBI. The FBI informed Joanie Gregory that it would probably be in her best interests if she "forgot this information."

Caradori recorded in his notes for December 1, 1989:

> At approximately 4:00 PM Senator Schmit arrived at [committee counsel] Steve Berry's office, during which time he advised me that within the last 48 hours the FBI were scrutinizing several of his businesses such as his gambling machines in southeastern Nebraska and other related matters.

On his own bitter experience with the Bureau, Caradori commented to the Franklin committee, on June 22, 1990.

> CARADORI: I think the [Douglas Co.] grand jury is being misfed information.
>
> SEN. LYNCH: By who, can you tell?
>
> CARADORI: I think they are being misled by the influence of the State Patrol investigator and various people in the FBI.
>
> BERRY: Do you think the FBI and the State Patrol are deliberately misleading the grand jury?
>
> CARADORI: I do, but I can't—you know, I have nothing to base it on. You know, the people . . . in law enforcement say, we checked every lead you got, every lead that you have and it's nothing. And it's like, you know, all the work that you have done is not worth a damn. . . . [T]he most frustrating thing in this whole case, and no sense dwelling on it, has been that you produce a work product, not every lead is going to be in gold but you produce a work product and then one of the aspects of your investigation is the State Patrol and right away it goes to them, goes to the FBI and—and then they just tear you apart. And yeah, it's been really frustrating. . . .
>
> SEN. LYNCH: So the impression that we talked about being left with the grand jury wasn't an impression that this committee or witnesses that we had or any staff in addition to you, our counsel, misled us with information, but the fact that information we developed that we shared with the FBI and the police department was in fact used by them to—

CARADORI: Work against us.

SEN. LYNCH: Discredit us.

CARADORI: I go on record and say I—I didn't want to give them our data. . . .

BERRY: Mr. Creager and I, and following our advice the chairman and the committee members, have instructed you that everything you have must be turned over to both the grand juries, federal and county, you feel that sometimes your investigative effort has been sabotaged, is that—is that the source of your frustration?

CARADORI: That's right.

The legislative investigator found that the FBI interfered with material even before he got to it. One afternoon in late 1989, Caradori and Karen Ormiston spent several hours at YNR Airlines in Sioux City, Iowa, photocopying flight manifests of Larry King's charter flights. At other airlines, staffers had already confirmed to Caradori, that King took underage boys and girls with him on charter flights. At YNR, children's names were listed for the flights—proof that King was transporting children around the country as the Webb girls, Alisha Owen, Paul Bonacci, and others had charged.

The owner of YNR made a phone call, and prevented Caradori from leaving with the records, some of which had yellow FBI tabs attached to them. Since the Franklin committee had only limited, in-state subpoena power, Caradori requested the NCUA to subpoena the records, turn them over to him, and not mention this to the FBI. NCUA general counsel Robert Fenner agreed.

Caradori never got the records, but someone else apparently did. Caradori told a friend, that he saw some of the FBI stickers from YNR, in a notebook carried by FBI agent Mickey Mott. The FBI maintained that there was no proof whatsoever that King had transported children; the Douglas County grand jury lamented, that it was a pity charter companies did not keep flight manifests, so no trips could be verified.

In a September 25, 1990 letter to Senator Schmit, Ormiston summed up the FBI's activities:

> There must be *some* kind of provision which allows the State of Nebraska to retain its information so that there is not a probable cover-up when this stuff is turned over to the federal level. It is my sincere hope that the federal agencies cannot just walk all over the state agencies, especially since we have given them everything we have yet we have been allowed to see nothing that they have. This in itself has not only prolonged the investigation, but it has also been a major factor in that the FBI does seem to get to our leads since they do have a lot of manpower. I do feel that the leads turned over to the FBI have effectively been stonewalled as it pertains to this investigation.

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The FBI's eagerness to discredit the victim-witnesses may be based on more than just an institutional commitment to protect former Omaha FBI chief Nick O'Hara's friend Chief Wadman, or Assistant U.S. Attorney Thalken, or higher-ups in Washington. A look at life inside the Bureau, including its Omaha branch, shows why.

In August 1990, black FBI agent Donald Rochon settled his suit against the FBI for racial discrimination. A highly decorated veteran of the Los Angeles Police Department, Rochon joined the FBI in the early 1980s. According to the settlement, Rochon, who worked in the Omaha FBI office in 1983 and 1984, will receive more than $1 million over his lifetime, and have his $500,000 in legal expenses paid.

In his suit, Rochon charged Omaha FBI personnel with sexual perversion. Some of the details are recorded in a "Motion of the [U.S.] Attorney General for Summary Judgment as to Plaintiff's [Rochon] 'Chicago Claims,' " filed on September 13, 1989 in Washington, D.C. After his Omaha assignment, Rochon had moved to Chicago, where the harassment continued.

Subhead II of that motion, "The Sexual Deviance Complaint and Investigation," reads in part:

> In response to his telephonic complaint, a signed sworn statement was taken from Rochon on July 3, 1984. In his

> statement, Rochon described a series of acts or events which he alleged were evidence of sexual deviance by SA [Special Agent] Dillon and other SAs assigned to the Omaha office. Specifically, Rochon alleged that he had "personally observed" Dillon "French kissing" SA Agent Terry J. Bohle, a male, at a going-away party for SA Bohle, and that he likewise had "personally witnessed" Dillon "exposing himself in the Omaha office during a regular work day to numerous Omaha employees, both male and female." In addition, Rochon said that he had heard reports that Dillon had allowed Bohle to urinate into his mouth and to "urinate into a beer bottle, [from] which he subsequently drank;" and that Dillon had been observed "picking out the deodorant block in [the] men's urinal and placing this block in his mouth." Rochon further alleged that Dillon appeared preoccupied with homosexual sex, kept homosexual pornography at his desk, and had frequently spoken in the office of homosexual acts.

Another agent backed up Rochon's account of Dillon's allowing Bohle to urinate into his mouth. In an official response, Dillon protested that SA Bohle only "accidentally" did urinate on him on one occasion. He added that he, Dillon, had not exposed his penis in the office, as Rochon charged, but merely his buttocks. The Bureau defended Dillon's possession of pornographic homosexual literature, as necessary for his investigation of homosexual prostitution. But Rochon's claims of discrimination and harassment were so well substantiated, that the FBI chose to settle.

In October 1983, the FBI announced it had investigated a male prostitution ring in Omaha. Apparently one of the agents on the case was none other than SA Dillon. U.S. Attorney Ron Lahners commented privately at the time, "This thing is so big and involves so many prominent people around this state." The investigation was expected to bring high-level indictments, but never did. One Nebraska insider said recently, "There is no doubt that the pedophile networks investigated in 1983 overlapped those of Larry King; in fact King himself was probably looked at at that time."

Special agent Dillon, who was investigating homosexual prostitution in those years, was "real close to some priests at

Boys Town," according to a law enforcement source who knew Dillon then. Years later, Caradori received allegations that some priests associated with Boys Town, in particular Father Pat Henry and Father Fiala, were pedophiles; Father Henry was sent to Bolivia when child abuse scandals surfaced at Boys Town in the mid-1980s.

Donald Rochon was a successful agent, part of whose responsibility while in Omaha was to find missing children. He once was commended for finding a kidnapped girl within one day of beginning work on the case. Inevitably, as a black agent, he would have developed ties in the black community in north Omaha, where Larry King's pedophilia was notorious. Many of the boys King used as prostitutes were black, and were recruited from Boys Town, where the alleged pervert SA Dillon seemed to have friends. Would it have been just a matter of time until Rochon found himself investigating SA Dillon, and others in Dillon's clique? One thing was established for certain by Rochon's court documents: Dillon was the ringleader of the harassment operation which drove Rochon from Omaha, and most of the rest of the Omaha FBI office covered up for Dillon.

CHAPTER 15

KATHLEEN SORENSON'S STORY

At the time of his death, Gary Caradori was known to be pursuing two tracks—the Washington, D.C. connection, and satanism. A satanic magazine was seen by a farmer at the site of Caradori's plane crash in rural Illinois; the magazine disappeared without a trace, and without further mention by the news media or the National Transportation Safety Board.

Caradori told Senator Schmit he had some Franklin leads to follow up, while he was in Chicago for the All-Star Game. One place he planned to visit was a satanic book store.

The Douglas County grand jury acknowledged that the allegations in the Franklin case "necessitated our studying satanic and pedophile activity in eastern Nebraska, particularly in the Omaha metropolitan area."

The testimony of two victim-witnesses who did not know each other, Loretta Smith and Paul Bonacci, placed King in the middle of such activity. Smith's testimony was apparently so sensitive, that the Douglas County Attorney's office made an unprecedented appeal to the presiding judge of the Douglas County Circuit Court, Judge James M. Murphy, to have it sealed in perpetuity. (When I became Paul Bonacci's attorney, this judge failed in an attempt to prevent me from representing or assisting Paul, which would have left him to be represented by a public defender. Eventually, Judge Murphy had to disqualify himself from the case, as a result of his attempt to injure me.)

Murphy granted the request to seal Smith's grand jury testimony. Its nature, however, was clear by the references to it in the jury's final report:

> In 1988 an Omaha girl, who was an inpatient at Richard Young Hospital, described a number of gruesome cult activities which she claimed to have witnessed between the approximate ages of 9 and 12. . . . According to the girl, she became involved in a cult where older male members sexually molested her and killed infants and children to establish their dominance over other cult members.

Smith had named Larry King as present at ritual sacrifices, along with school superintendent Deward Finch and the person called Kings Horse, identified by videotaped witnesses as King's henchman, the other Larry.

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Satanic activity is not new in Nebraska and the surrounding midwestern states. Some families have passed it from generation to generation, over fifty or a hundred years. Satanic practices have spread into the highest levels of society, where Larry King traveled.

A Nebraska woman now in her forties, who calls herself "a little wild" in her youth, tells how she was approached at age 15 and asked if she were a virgin. A virgin was needed, it was explained, for certain occult ceremonies. When it appeared she might go (she didn't), she was told, "Don't be surprised at the wealthy and powerful people you will be seeing at the ceremony."

In 1974, ritualistic cult activity in parts of rural Nebraska was a big enough story to be featured in a *Washington Post* article, " 'Devil Cult' Sought in Nebraska Cattle Mutilations; Ranchers Enraged by Weird Deaths." It reported:

> There is angry—and serious—talk among Nebraska ranchers about helicopter-equipped devil cultists and fertility ritualism. . . . Since spring, 21 cases of cow or horse mutilations have been authenticated in a five-county area and some observers think the number should really be about 50. But it is difficult to determine the cause of death of a yearling after five or six days in open country.
>
> However Pierce County rancher Eugene Scott last week

found a calf which had been dead only five hours, according to the examining veterinarian. Its sex organs had been removed and the body drained of blood. State Patrol investigator E.M. Hastreiter said no blood or tracks were found on the scene.

Mutilation stories began in May and at first authorities attributed the acts to varmints, mostly coyotes. But then a veterinarian called to examine the dismembering and draining of a cow near Madison in June said he was concerned "that a human element was involved."

In most cases blood has been drained and reproductive organs removed. A helicopter frequently has been seen hovering over the area about the time of the mutilation. A copter with a spotlight was seen over the Lancaster County farm of Richard Benes the night of a confirmed mutilation there.

Knox County Sheriff Herbert Thompson, who is investigating seven mutilations, also reports the simultaneous sighting of unidentified helicopters in that area.

Dr. Richard Thill, Germanic professor at the University of Nebraska, who also teaches noncredit witchcraft courses, has been reviewing the reports and calls them "ritualistic."

. . .

Whatever is happening has nerves on edge. Nightly, cowboys in trucks with Citizen's Band radios and rifles patrol the prairies. Patrols are made almost nightly in the counties of Knox, Cedar, Antelope, Madison, and Burt.

In the blaze of publicity, and in face of the armed patrols, the ritualistic activity was driven underground, or into other, even more horrible forms.

According to testimony from Paul Bonacci, Larry King had been recruited to a satanic cult by December 1980 at the latest. In his written history, Bonacci described how King picked him up after school one day in December, "and took me to the Triangle which is in a wooded area in Sarpy County. I witnessed a sacrifice of a human baby boy. Everyone was chanting and it was a yearly ritual around the time of Christ's birth to pervert the blood of Christ. They used daggers and cut the boy and filled a cup with his blood and mixed urine in it and forced all of us to drink from the cup and chant 'Satan is Lord Lucifer

our King. Realm of darkness come now empower us your slaves.' Then they all began to chant some weird sounds and I got scared and was threatened I'd become the next sacrifice if I told anyone about it."

Bonacci said he witnessed the participation of another Franklin-related figure: "I did see [Alan] Baer take part in satanic activity on several occasions." Bonacci spoke to Dr. Judianne Densen-Gerber about his activities as a member of four different satanic cults in Nebraska, some of which had 50 to 100 members.

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A groundbreaking account of satanic activities in Nebraska came from Kathleen Sorenson, the foster mother who took in Nelly and Kimberly Patterson after they fled from the Webbs.

Mrs. Sorenson decided to speak out about what she had learned from children in her care. Together with her eldest foster daugher, a survivor of ritualistic abuse, she spoke at public forums around the state, gave radio and television interviews, and appeared on Geraldo Rivera's nationally televised special on satanism. This is the report Kathleen Sorenson gave on a Christian TV interview program aired in Nebraska in 1989, based on her experience with over 30 children who spent months or years in her home.

> We got involved and learned about this subject because we were foster parents and worked with a number of children. And several years back, several of the children began, after a period of time and building up trust, began to talk about some very bizarre events that had happened in their past and they were frightening and very confusing. I really didn't know what to think. We went to the police, and we went to social services and there was really nothing anyone could do. These children we worked with are now adopted, in safe homes, and probably would never have talked had they not felt able to trust the people they were living with.
>
> There are certain things that are in common in the childrens' stories when we talk about devil worship. . . . There

are things that come up in every single story, such as candles. They all talk about sex. Sex is without a doubt a part of every area of this, all sorts of perverted sex. That is what you will first hear, about the sex, about the incest, and it is so hard to believe. But once we get that, we have learned that we can go on and ask and find out . . . and it will involve pornography; that is always part of it. Part of the reason is that they can use that to threaten the children. "We have pictures, we will show the police if you talk." It makes the children feel that they are in great danger, and they are all very frightened of the law. They talk about the garish make-up that the people in the group wear, they talk about singing that they didn't understand. Obviously that is chanting, and that has come up in every one of these stories, and none of them call it chanting. There will be dancing. Most often that will involve sexual acts. There will always be a leader and they will be very frightened of the leader.

These children, from a very young age, and I am talking about children who came out of birth homes, the family they were born to, worshipped the devil. That's all I can share, and I don't pretend to be an expert. All I can tell you is what the children have told me. My husband and I say, we know things we shouldn't know. That's true, and I thought very carefully before I agreed to do the program, because we have heard so much, and it is so ugly, and so frightening, that you hesitate to tell it to people. It's very heavy to know. I don't want people running around looking in their closets and not leading normal lives. You don't want to think you are giving people ideas. I don't want people to say, if a child starts to talk about some of this, "They probably saw it on that show Kathleen did." But we're hearing more and more. And it is becoming very, very out in the open, and I think it's time for people to know that this is not fun and games; this is not something that we can laugh at—or ignore.

The children I have talked to have all had to murder before the age of two. That is something beyond anything I could comprehend. But in some way, whether with the help of an adult's hand over theirs, by having them practise, by getting them excited to be part of the adult scene, they do murder. And the evil thing that happens is, that they really believe that they want to. They want to do what the older

people are doing, and they are praised for that. And that becomes their goal, to be like the adults. There is a little part in them, that natural good, God-given part, which knows that it is wrong. But in a group, and in the excitement of everything, they want to do that. They *enjoy* the sex. Children are capable of enjoying the sex. I didn't know that. Well, why would they fight against it? A child will eat a bag of candy if you give it to them. They will take part in these things willingly. When they get out and begin to talk, it is very difficult for them to realize, we didn't realize it at first, that they actually wanted to do it.

They are told they will never get out, no one will ever believe them, that there is no freedom, that "the law will get you," they are hopeless before they get someone willing to listen. They are threatened with death. Every time a child is killed in their group, they are told, "If you tell, this will happen to you." They have every reason to believe that. So even when they are into the [foster care] system, and with another family and begin to feel somewhat safe, they still expect these people to show up on the doorstep. They believe that these people know everything they are doing, everyone they're talking to. One teenager told me that she had been told, that if she ever got married, that they would fool her, it would be one of them and she wouldn't know it ahead of time. They set them up to fail in every area.

It is very prevalent in the midwest, Iowa, Nebraska, Missouri. Some people have speculated recently that these states are headquarters. . . .

As you listen to us talk about these things, there will be a natural part of you which will deny much of what you hear, and believe me, we did too. I would like to share this with you, partly in the children's words, so that you can hear the things that they said that nobody could make up, that no child could know. That's what eventually convinced me, along with the deep emotion. The grieving, screeching damage and hurt that they cry out with as they talk. The children I will be talking about, these are all children that I personally talked to. They are today between the ages of 5 and 17. When they talked they were between the ages of 5 and 15. When these things occured to them, they were between the ages of, well birth, but of when memory enters

in, I would say a year and a half to eight. So we are talking about very small children. . . . We are talking about children forming consciences at that time, learning right from wrong. These children do not know. They come out and do not know what is right. They are confused. What they did before, that they were rewarded for, is such a horror to anybody else, that they are shunned. And most often they have been in multiple placements, they will go to a home, they will steal, they will lie, they will hurt animals. One little guy would sharpen pencils and try to stab people. I don't mean poke, I mean stab. People don't like that in their homes. They don't have any idea what it is, they just think, "We have a weird kid." Many are sent to psychiatric hospitals where they are labeled psychotics, schizophrenics, and who would want them in. I praise God that he brought so many of them into my life, and through our home, and that there are other families like ours, it is just a movement of the Holy Spirit, the only way I can explain it. . . .

I will begin with the first stories that we heard, which will seem horrible to you, but are very mild to me, because we have progressed and heard far worse things. The first story is about two little boys who were 7 and 9 when they talked, and they told about sexual abuse at one point, and were very grieved. We talked about good and bad touching and we thought we really had gotten to the bottom of it, and then that afternoon the little one began to cry, and when we couldn't get the answer from him, the older brother said, "He is probably crying because he was in the room, when they killed his friend." That was the first one we know about. And as they described that, they talked about that particular victim being brought into a room, hands and arms tied, mouth taped, and how there had been x's marked on his body, on his vital organs. That was bad enough. Within a very few weeks we learned that it was not the adults who had killed that child. It was this oldest boy, who was talking.

The next person that we talked to was a little boy, who was very borderline mentally. He had language problems, it was very hard for him to explain himself. And when he began to come out of it, everyone was startled the way he talked. We were real sure, we knew he had not been around these other children and heard anything, but we began to

question ourselves, "Are we asking strange questions. Is there something odd about us which makes children come and dump these things on us?"

The part which made me believe this child's story, he talked about different babies being killed, but this particular one being stabbed, he curled up in a fetal position, he was 9 years old when he was telling the story. He curled up in a fetal position, and his eyes got real glazed, and he said, "They cooked that baby on the grill." And I thought, he has really flipped out. I mean, I didn't know. And he said, "Oh, gross, it smelled like rotten chicken, or rotten deer."

He then went on to tell us how they would cut out the heart, or cut off the sex organs, and save them in the refrigerator. A very typical thing that these kids talk about. They *worship* the sex organs. . . . They kept it for another ceremony. I asked him where the bodies went. I did not get any answers from that child about what happened to the bodies, but the other two boys, who I spoke about first, eventually, they talked about throwing the babies in the fire. And I asked about that, "You mean they were dead when they threw them in the fire?" And the littlest one said, "No, no. Them was alive and them threw them." And by this time we were really getting freaked out. What were we going to do? How can you help these kids? Where do you find a therapist who can deal with this? . . . But God set up a support system. Other families were helping us, and that really helped.

The next child I will share about, and I am going sort of by categories here, how we learned, and the types of killings, this little girl is 11 today, she was 9 when she first talked. It was a very painful thing when she first started to share the sex things. The sex things are so harmful to the children and they are so embarrassed and it is so personal to the children, and they know that they enjoyed that. They know that. We had been through all that. She began to draw pictures of cats, and the cats all had tails that were on the other side of the page, or their leg was someplace else. As we began to work with her and talk, she said that she had had to kill a pregnant cat. She first said that they had killed a pregnant cat. We said how did you know it was pregnant. Well, she could not explain that, but as we got into it, she confessed that she had had to kill the cat. And I asked her. And her

description was, "With a knife, I put it in her bottom, and twisted it."

Now you tell me, does a kid know that? If I ask a kid how do you kill a cat, do you think they will say that? Those are the kinds of details these children tell us. Later, and they eventually cut the cat open, and that was how they knew the cat was pregnant. And they eat parts of the cat, and the feces and the blood. And again, this was just the beginning. It progressed, and the next time she had to kill a baby, the same way—put the knife in the bottom and twist. The baby was alive and he was screaming. And that child hears that, to this day, and has nightmares and flashbacks. And they cut the baby open, and they ate the baby. They do this, so there are no bodies left, and they burn what is left and grind up the bones. And she talked about that, pouring gasoline on the bodies and burning them in the back yard. And I used to think that was nuts, but I have heard it enough times now that I know it must be so. . . .

We know there are mortuaries involved, to cremate the bodies, and that makes sense. . . .

The most horrible story about fire that I have to tell, and this is extremely, extremely disturbing, it was a little girl, she was a teenager when she was telling me. And she was describing a barn where they used to go to have their meetings and they used to gather outside the barn, and there would be chanting. And then as they went inside the barn they would be split into different groups. And she was never with any of her family, they all went to different places. And I asked her where she had to go and she said "I was always in the burning room." And as she went on to describe the burning room, I thought, how she came out of this, with any sanity at all, I don't know. She was a very small child.

They would take in children, probably pre-schoolers, and they would hang them from the rafters in this barn, and there would be as many as five or ten hung in a row. They would be fully clothed, which is unusual, because frequently they are naked. The children, like this girl, were all given candles. And you can picture the ceremony as she described it. And the candles were lit. Then the adults would go forward and would pour liquid from a cup on each of the children's clothing, which was obviously gasoline or kerosene. And

then they would give a signal and the others would have to go forward and set the children on fire. When they were done they would cut them down. The first child that this girl had to kill was a cousin, a little cousin. What does that do to you? But you couldn't object, because the children that objected were killed. Frequently, she said, people would come in families, not knowing that their child would be sacrificed, and she described the screams when they realized that their child had been killed. . . .

This child, about two years ago, just fell to the ground at Christmastime, everyone thinks that Christmas is such a wonderful time. And she confessed that she hated Christmas, she couldn't wait until everything was put away, because all she could hear was babies crying. Christmas is the time when the most babies die. And she covered her ears and cried for 2½ hours, and screamed, "Stop it, stop it, stop it! Talk to God and make him stop it!" All she could hear is the screams and the babies crying. . . .

Christmas for the children I have talked to, has been one of the worst times. I have had three children tell me about a very similar ceremony, and I will kind of merge that and tell you how it went. They were taken to a church, and all the children, it is a very festive occasion, and they are taken to the front of the church, and a small child is now brought in, two of them talked about babies and they put them on a platform. The adults are all celebrating and dancing, and singing and the children are getting into the spirit of it, and what they are doing is forming a circle around the child, and of course the child represents the child Jesus, and they begin mocking, and spitting, and calling names, and then they encourage the children to begin doing it, and you can imagine how it gets out of control. And at some point they hand all of the children knives and then they are all hacking, and slashing until the baby is dead, and then they all celebrate because the child Jesus is dead.

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Kathleen Sorenson was aware that it was dangerous to tell the public what she did. She appealed to friends, "Pray for me." She died in a head-on car crash in October 1989.

Former FBI abuse specialist Ted Gunderson evaluated the accident in which Kathleen Sorenson was killed as a satanic contract suicide. The other driver didn't die, but well could have; in satanic lore, a person who loses his life in such a contract murder/suicide will be reincarnated with more power, granted by Satan.

Kathleen was driving on a long, narrow stretch of road between Fremont, Nebraska and her home in Blair. At least several people knew the road she would be on, and at what time. A car was traveling in front of her, which was possibly the "spotter" car used in such a situation. Another car, coming from the opposite direction, crossed the center line and rammed into Kathleen's car, killing her. Both the young woman driver and her husband had prior arrest records for cruelty to animals, a common marker for satanism.

Not long after Sorenson's death, a teenager in a youth care facility told a worker, "You better watch out or we will get you like we got that lady from Blair." The youth went on to describe a ceremony of drawing lots for the privilege.

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One of the most potent weapons of the satanists is the inability of the average person to comprehend such hideous events as described by Kathleen Sorenson. A few years ago, if anyone had recounted something like her testimony to me, I would have recommended that they be hauled off to the loony farm. Today, I have no doubt that much—maybe all—of it is true. I have been confronted with documentation of a world I did not know about or believe existed.

I understand why normal people, reading Kathleen Sorenson's words, will have what psychiatrists call a "denial syndrome." Dr. Densen-Gerber addressed this phenomenon, when she testified before the Senate Franklin committee on December 29, 1990:

> I want to say one thing. I would not want the committee to disband. I think that that is not in the best interest of the

> average Nebraska citizen for the reasons that I have said. I would also not want the material to be turned over to any other commmittee. Because it takes two to three years for the average person to get through the automatic denial that goes along with this kind of material. The first human defense mechanism against untenable horrific facts is to say that they don't exist.

Dr. Densen-Gerber testified that a particular satanic ritual, in which a two-year-old child was placed in the cavity created by a Caesarean section delivery of a baby, was so horrible that she herself refused to understand what some of her patients were telling her.

> I've been in this field for an awfully long time. I should have realized that's what these three patients were telling me. It was so horrific for me to contemplate. Taking a two-year-old child and placing it in an open uterus, in a dying woman. To have this child covered with blood. I used denial myself after all these years. . . . [This] has occurred, according to Sorenson, in Nebraska, and now she's dead. And the same thing that is described, this ceremony, was described by Bonacci as occurring in Nebraska.

She reviewed her prison interview with Paul Bonacci, conducted the previous day: 1) He has an extraordinary memory for detail, making him an invaluable witness, 2) He does not lie, 3) He has precisely described satanic rituals used by international cults which it were impossible for him to have known, unless he participated in them.

> Oh, he calls one personality a computer chip in his head. He keeps it together by this meticulous obsessive attention to detail. So that he can give you times and dates that I have never seen in any other child abuse case. I have never seen a child who could do this kind of thing. . . . So that he is an unusual witness. . . . He doesn't fabricate, he'll say "I don't know," if he doesn't know. . . .
>
> And then you have, what I think that you may have here. You have an internationally-connected cult. In which persons move from one place to another and [have] very set rituals and are busy attempting to bring about a force of evil

of the anti-Christ. Now he knew such things, as for instance, let me give you an example. In discussing the C[aesarean]-section, which was done here in Nebraska, the Triangle. When he was there the girl was fifteen, as he describes her two year old son had to have sex with her prior to her death, prior to the hysterotomy or C-section. . . . The two year old had sex with his mother. The mother was a believer, he states that she was not tied down, though she was drugged, and a lot of them had drugs. The baby was removed and the blood drained, the chalice passed, the high priest urinated in the chalice, in the blood. Because part of the way of the reverse Christian belief is to take the blood and defile it. But only the high priest may do it. And he knew it. . . . The baby was dismembered. . . . The next thing that he said is that the child would not stop crying and so they eliminated that child as well. And ate the flesh. And the mother died and she was also eaten by the cult. And I said, "well, what happened to the bones and teeth?" And he said that they were ground in a machine. Which is one of the ways that they do do it. He described it extremely well.

Occasionally you have to ask a question in a matter of fact way. So instead of saying was there anything done with any body part that was unusual, I said "Who ate the eyes?" Because part of this ritual is the eating of the eyes. And because the concept is that when you eat the eyes of the fetus or the new born, you gain sight, that's a Celtic Druid ritual which has been taken by these individuals. And without a change in voice or anything else he said Malachi ate the eyes. . . . And I said but you were supposed to eat the eyes [as the third-ranking member in the cult]. And he said I was out of favor and was not permitted to eat the eyes. . . . But I have to tell you the detail that he knew about how the rituals are conducted have convinced me he has been at ritual events. There is no other way that this child could know.

CHAPTER 16

FOUR FIGHTERS WHO DIDN'T QUIT

Freeing America from the influence of those who protect and engage in official corruption—from drug dealing to pedophilia, from abuse of public office to protection of satanism—will depend on people who put fear behind them and stand for human dignity. The lives of four fighters who didn't quit, even under frightening conditions, give hope and encouragement for the fight to defeat the pedophile rings. I asked their friends to talk about these four people. I have incorporated their observations with some of my own.

PAUL BONACCI, A CHRISTIAN FIGHTING FOR LIFE

Two years ago, if anyone had told me, John DeCamp, that a person could have several distinct, real personalities within one body, I would have thought they had been reading too much science fiction, or living with Alice in Wonderland. Then, the Douglas County Grand Jury indictment of Paul Bonacci brought me deeper into the Franklin case, and the suffering of its victims. Paul Bonacci called me shortly after he was indicted, and I agreed to visit him in the jail where he was incarcerated for touching another boy on the outside of his pants.

Meeting with Paul, I have spoken to several of his personalities. Three psychiatrists who have examined him concurred in the diagnosis of Multiple Personality Disorder, brought on by

horrible, traumatic abuse when he was a child. My first act with respect to representing Paul Bonacci was to have him write down everything he could remember, about individuals who had abused him, from his earliest boyhood. An excerpt from what he wrote appears in Chapter 10. In that document and in Paul's letters, his handwriting will vary, depending on which personality is in control.

Bonacci was sentenced to five years in prison in 1989, for molesting a young boy for whom he was baby-sitting. Apparently one of Paul's homosexual personalities was in control of him during the incident, in which he briefly put his hand on the outside of the young boy's pants, an activity stopped when a remorse-stricken Paul reasserted control. Despite testimony from family friends and church members, that this was out of character, and despite its being a first offense, the Omaha court "threw the book" at Paul. This was before Gary Caradori first interviewed Paul, but the Franklin case had broken, and it would have been known to those to whom it mattered, that Bonacci could be a key Franklin witness.

Paul Bonacci is not just a victim. He is an intelligent young man, who has entered a process of redemption. Bonacci was intentionally damaged, spiritually and physically, from a very early age. He was forced to participate in "headhunting" expeditions, luring younger boys into servitude.

Throughout his childhood, Paul fought desperately to survive hell. He was brutalized continuously. Once when he was very young and it was discovered he was going to tell about the abuse, he had hot metal shoved into his mouth. Now, Paul is in a fight for his life, and for the life of others. A person who, until quite recently, was involved in a life very immoral and dangerous to others, is now motivated to an effort to live by love and a sense of justice.

In letters and conversations with friends, Bonacci says that the mission of his life is to prevent other children from suffering what he has. He speaks of being strong in his Christian faith, and of his efforts to convert other inmates.

In a letter from prison, to a friend, Bonacci talked about his desire to serve others: "I'm a 23 year old man who loves God

and wants to do the right thing to prevent other children from being abused. I'm against anyone harming a child in any way. I'm only wanting to see the men stopped from hurting others. They can kill me. I'm ready to die for what's right. If by my death I can prevent a child from being abused, I'd do it."

In his written report on his victimization, Paul said, "I have in the past cowered and given up. I no longer can cower and give up, instead I must stand firm and with truth go forward and fight against the men and the evil they have done to myself and other young people. '[P]erilous times shall come, for men shall be lovers of their own selves, covetous, boasters, proud, blasphemers, disobedient to parents, unthankful, unholy, without natural affection, trucebreakers, false accusers, incontinent, fierce, despisers of those that are good, traitors, heady, highminded, lovers of pleasures more than lovers of God; having a form of godliness, but denying the power thereof: from such turn away. For of this sort are they which creep into houses, and lead captive silly women laden with sins, led away with divers lusts, ever learning, and never able to come to the knowledge of the truth.' 2 Timothy 3:1-9.

"This scripture just about says it all about the men who have used me and others. They can continue to deny these things before men, but the day will come when they will stand before God and He will know all and then they cannot deny. . . . I have continued to speak the truth and for doing so I am now being put down as a liar. The only liars are those who continue to deny the terrible sins they have done. Also Troy and Danny who at first told the truth and then began to lie to save their own butts from indictments which everyone with a brain could see coming for the victims. I will stand firm in my faith and trusting in the Lord to show the truth in the end."

Paul has repeatedly been placed in situations of danger while in prison. He has been moved to different facilities, contrary to agreements worked out by me as his attorney. He was given food to which he was allergic, while his weight dropped, and he was denied a blanket for months. He has had no medical help for his Multiple Personality Disorder, induced by what

Dr. Densen-Gerber called the "emotional Auschwitz" of ritual abuse.

Bonacci was beaten several times in jail. He has been placed in the same area in the jail with potentially violent people associated with Alan Baer and Larry King.

Since he testified before the Legislature's Franklin committee, Paul Bonacci has been under continual attack by the irregular troops, so to speak, of the Nebraska cover-up, such as the *World-Herald* and its reporter Bob Dorr, who have ridiculed him as a hoaxer.

Paul Bonacci's commitment to saving other children is evident in his willingness to be interviewed by investigators of child abuse. In order to remember details, Paul must go through the difficult process of allowing his different personalities to come forward and speak. If one personality can't remember, another might. The personalities were originally established, one by one, at the exact moments of psychological terror when Paul as a defenseless child was physically attacked. Some of the personalities are very young children, some are girls, some are boys, some are men. The process of calling them up, of assuming these different identities, often involves intense pain for Paul. If he didn't care, he wouldn't go through these difficult interviews.

ALISHA OWEN, PERSECUTED FOR RIGHTEOUSNESS' SAKE

"My statements are true. I'll never, never change my story. The truth is the truth," Alisha Owen said during her trial. The pressure on her to recant has been immense.

Alisha's strength and determination have become famous among her supporters in Nebraska. People who meet her now, often remark that she is motivated by love. One woman said that the first thing Alisha ever told her, was that she is strong in her religious faith and that she must and will do the right

thing, "because the Lord will be here with me" through what she knows will be a long ordeal ahead.

Alisha Owen has been told she will have to serve a minimum of ten years, seven months of her sentence, even with "good time." Alisha's daughter, Amanda, has been inconsolable; until she saw Alisha in the courtroom at the sentencing hearing, she was convinced her mother was dead. At sentencing, Alisha read a statement, in which she blamed state prosecutor Gerald Moran, the *World-Herald,* and two of the men she accused of abusing her, Robert Wadman and Harold Andersen, for clouding the issues and fueling a climate of innuendo against her. "I couldn't change my story when the FBI asked me to," she said, "because I can look into the mirror and know I am telling the truth. Children ask for justice, while adults plead for mercy. Your honor, I stand before you here today and I ask for justice."

Even while she was a repeated victim of abuse, Alisha was an excellent student and a youth leader in her church. She is known as an intelligent and well organized person. During her trial, courtroom observers were impressed by her close attention and participation in all aspects of her legal defense. Meanwhile, the prosecution attempted to portray Alisha as an immoral person since childhood, the way a rapist's lawyers often try to depict the rape victim as a slut who invited and possibly deserved abuse. This courtroom performance reduced Alisha to tears several times.

As a teenager, Alisha gave birth to a child, who she strongly maintains was fathered by one of her abusers, Chief Wadman. Her parents have stood by her, and in support of her little daughter.

Even through her first months in jail, through the grand juries' denunciation and indictment of her, through its repetition by the *World-Herald* and CBS News, and through her long trial and sentencing, Alisha's supporters say, "her faith and strength have amazed us. She is always honest, loyal, and even maintains her sense of humor. Alisha maintains she will not give up until these perpetrators give up—and she won't give up!"

Even though a court-appointed psychiatrist said that Alisha

did not tolerate well being alone, during 1990 and 1991 she was held in solitary confinement longer than any other female inmate in the history of the Nebraska penal system. A friend of hers said, "Her determination was unchanged by being in solitary."

When she was 17, Alisha was discarded as a sexual object by the pedophiles. At that point, she was in a position to have become a trusted, and very wealthy, member of organized crime networks. Someone serving as a "mule," or youthful courier for criminal drug runners, would have narcotics worth hundreds of thousands of dollars pass through her hands. When Alisha started to talk to Franklin committee investigators, many deals were offered to her to make her stop. But her disgust and concern over what was happening to other children prevailed.

LORAN SCHMIT, FARMER, SENATOR, MAN WITH COURAGE

For the two years of its existence, Senator Loran Schmit chaired the Franklin committee of Nebraska's unicameral Legislature. It was disbanded against his recommendation.

Schmit has farmed all his life. He is the father of ten children, a grandfather, and has served in the Nebraska Legislature for twenty-three years. His work in the Legislature, on agricultural and water resources development in the state, is described by long-time associates as being of "legendary proportions." Senator Schmit has chaired the Agriculture, Public Works, and Natural Resources committees of the Legislature. He was a member of its Executive Board for eighteen years. In January 1991, when the Franklin committee was decommissioned, the newly elected Legislature stripped Schmit and its other members of key positions; Schmit lost his chairmanship of the Natural Resources committee.

Senator Schmit has worked as a crop duster. Of his more than 40,000 hours of flying time as a pilot, a majority has been in the dangerous occupation of low altitude crop dusting and

seeding, in both fixed-wing craft and helicopters. His personal knowledge of aircraft boosted his certainty, that his investigator Gary Caradori's violent death was not accidental.

Loran Schmit is often moved close to tears, when he speaks about the work and the death of Caradori. In December 1990, meeting with the Ministerial Alliance in Omaha, he said he felt personally responsible for the death of the man he hired to investigate the Franklin Credit Union case.

Schmit has a longstanding reputation as a last resort for people trying to help children in trouble. As Franklin committee chairman, Schmit often stayed at his office late into the night, to pursue the investigation of the pedophile ring. After Caradori was killed, and the Franklin committee no longer had a professional investigator, Schmit remarked, "Gary had this remarkable knack of just putting on his casual clothes and going out to places where people had information and just sitting down with them and gaining their trust. That's how he brought in all these facts in the investigation. I know I can't do it like Gary did, but when I hear that someone has information for us I just put on my old clothes and go wherever I need to go and sit down with them, and try to get that information myself. Gary would have done it much better, but I try."

This senator, who often starts speeches by saying, "Well, I'm just a farmer, but here's what I think," is a plain-spoken man. The image before him, of setting the pace for the people of his state, and of keeping the faith with his martyred investigator, has proven Loran Schmit to be a man of courage. He has withstood threats and harassment. At the height of the Franklin committee investigation, a piece of gallows humor around the state house was to ask, "Who wants to go start Schmit's car tonight?"

There have been efforts to ruin Schmit financially, including by means of spurious lawsuits filed against him. The FBI launched several investigations of Schmit. He also found his legislative district so radically altered in a June 1991 redistricting, that his reelection became a long shot.

Unhappy about what he regards as a do-nothing attitude of a majority of state senators toward child abuse, Loran Schmit

recently asked, "When does it happen that we cross the line and the passivity of the Senate makes us co-conspirators with corruption? We have to take action, and stop this abuse once and for all."

While most of the Legislature cowered, fellow Franklin committee members Senator Dan Lynch and Senator Bernice Labedz, especially, showed courage in standing by Senator Schmit to the day their committee was dissolved.

GARY CARADORI, MARTYR

Gary Caradori told the victim-witnesses of child abuse whom he interviewed, that he would die for them, if necessary. He died on July 11, 1990, at the age of 41, when his plane crashed in Illinois. His eight-year-old son was also killed.

During Alisha Owen's trial, FBI agent Rick Culver testified that Caradori's work for the Franklin committee was worthless. Former Police Chief Robert Wadman, posing as the wronged party, sued the state for damages, charging that Caradori's investigation caused him mental anguish. Wadman's claim against the state was turned down, and the lawsuit dismissed.

Mary Caradori has commented, that there were no such slanders of her son while he was alive. She calls him "a gentle, smiling man, a great man and the greatest investigator Nebraska has ever had." The man the *World-Herald* now smears as a Keystone Kop, she notes, was the youngest person ever to qualify as an investigator for the State Patrol. He was universally liked and respected, and he was "so bothered by what he was finding in the Franklin investigation that he just couldn't give it up."

"He worked on this investigation sometimes 24 or 48 hours without eating or sleeping," Caradori's mother recalls. "He looked so worn out I was worried about him. I told him, 'maybe you should give it up,' but he couldn't give it up. He didn't need this case, but he was just so dedicated."

Mary Caradori says that the accusation that Gary wanted to make a movie out of the Franklin case was a lie. She is angered

by the Douglas County grand jury's suggestion that tape breaks in Caradori's videotaped interviews of victim-witnesses concealed his coaching them. "He would stop the tape when the kids would start to break down," she said. "He would always leave them their dignity. That is the kind of man he was. And he knew that they were victims of slavery and a Satanic cult. He knew that if the perpetrators aren't brought to justice, they will not stop."

A former Nebraska state patrolman, who later opened his own private investigative company, Caradori was known as a resourceful investigator. George Zahn, plant manager at the Monfort of Colorado meatpacking plant in Grand Island, Nebraska, told the *World-Herald* that Caradori " 'did a very good job for us,' providing security and handling some investigations for Monfort for about seven years. 'He works any and all hours,' Zahn said. 'It doesn't make any difference to him. He's a person you can trust.' " Lincoln private investigator Edward H. Itzen, president of Metropolitan Protection Service, added, "I've never heard anything but good about him." Caradori once traveled to East Germany and found a woman's father, 39 years after they were separated. He rescued young girls who ran away from home and became caught up in prostitution in Las Vegas or California. Franklin committee counsel John Stevens Berry told the *World-Herald,* that Caradori is "the kind of guy who can check out the cat houses and find the child and get the kid out of there."

Looking back, Mary Caradori recalls Gary's anticipation that the Franklin case was about to break wide open. "You'd better believe there was a cover-up," she says. "My daughter-in-law and I were never notified about Gary and A.J.'s death. My friend had to tell me over the phone they were dead."

Gary Caradori's widow, Sandie, was his high school sweetheart. They had two sons. A.J., the younger, was an avid baseball fan, like his father. Departing for the All-Star Game, his grandmother recalls, A.J. was overjoyed that he would finally get to see his favorite big league players in person. "He was a wonderful little boy."

The Reverend James Bevel, civil rights leader, addressed

Mary Caradori during his speech to a rally held by the Nebraska Leadership Conference in Lincoln in March 1991. He thanked her "for the gift of your son and grandson, who died for what is right." Senator Schmit, to applause, declared that it is imperative to "leave no stone unturned," to find out why Gary and A.J. died.

CHAPTER 17

"SO THAT THE TRUTH WOULD NEVER COME OUT"

With the sentencing of Alisha Owen, the Nebraska judiciary and law enforcement agencies wanted to ring down the curtain on the Franklin case, once and for all. They and federal authorities moved to tidy up matters that were left hanging.

Larry King is in prison, but not for child abuse. Under a plea bargain arrangement finalized with federal prosecutors on June 17, 1991, King is serving a 15-year sentence for embezzlement, conspiracy and making false financial record entries. Since the Douglas County grand jury deferred to the federal authorities, and since there was no trial of King on the federal embezzlement or any other charges, *the evidence of child prostitution and abuse perpetrated by King was never presented in any court.*

Jarrett Webb did not stand trial. In a calculated display of concern, the Douglas County grand jury recommended in May 1990, that Webb be indicted by Washington County prosecutors for "third degree sexual assault of a minor," Nelly Patterson. On December 26, 1990, however, Washington County Judge David Quist dismissed the charges against Webb, ruling that the statute of limitations had run out on acts committed in 1985. In Nebraska, cases of abuse of children under sixteen years of age are supposed to receive an automatic extension of the statute. But although Nelly had reported abuse that began when she was nine years old, the judge ruled that the assaults in question were not prosecutable because they occurred *two days* after the girl's sixteenth birthday!

Alisha Owen was convicted of lying when she said she was sexually used by Robert Wadman. I will allow the articles and statements of others to deal with this, since I have, at Alisha's request, now agreed to represent her free of charge. I do not want to say anything here that would jeopardize Alisha or my ability to help her. But I can say, that Alisha Owen's trial took the strangest turns I have seen any trial take. Suffice it to say, that I believe she had the most extraordinary trial there ever was in Nebraska. I have not a shadow of a doubt that her story is true, like Paul Bonacci's.

On August 8, 1991, Alisha Owen was sentenced to three consecutive three to nine year prison terms. As she remarked, she will be in jail longer than Larry King.

Minutes after Owen's conviction, Prosecutor Gerald Moran dropped the Douglas County perjury charges against Paul Bonacci. He also obtained a court order that barred me from gaining access to other files that would have been used in Paul's trial.

Speaking as Paul's attorney, I charged, "They dropped the charges so that the truth would never come out."

For months, motion after motion to deposition those Bonacci accused was denied by Judge Patrick Mullen. Now, Moran stipulated that any such depositions and discovery were permanently ruled out.

I had seen it coming. As we moved closer to the commencement of Paul Bonacci's perjury trial, I said many times to all who would listen, "I guarantee you that Paul Bonacci will never go to trial. They will either kill him, or dismiss the charges. We are ready for trial. When we have the trial, the entire picture of crime, drug dealing, pedophilia and child abuse, and even this satanic cult activity, will come out, with all the personalities associated with it. They dare not bring this boy to trial. Or, if they are going to bring him to trial, they will have to get rid of me first and get someone in there handling the trial whom they control."

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For over a year, after the initial flurry of coverage in 1989, the national news media avoided the Franklin case. On June

19, 1991, two days before the jury convicted Alisha Owen, CBS-TV featured Nebraska on its prime time show, "48 Hours."

The program, ostensibly on the impact of child abuse in various communities, stated its conclusion on the Franklin case at the outset: "Some communities have over-reacted and accused innocent people." Expounding on the alleged injustices done to those named by victim-witnesses as abusers, the producers had former Police Chief Robert Wadman appear tearful before the cameras to say that the Franklin case had been "the most God-awful experience you could ever go through." Omaha attorney James Martin Davis offered his assessment, that "Bob Wadman has been scarred for the rest of his life."

Neither Senator Schmit, nor I, nor Owen, nor Bonacci was interviewed; besides the alleged perpetrators, only Troy Boner was given air time, to say that he had fabricated all the charges. Wadman asserted that "Caradori led witnesses, fed witnesses," while Boner pronounced that "the whole thing was just a lie," and that "Caradori convinced me to do it." The narrator stated, "Caradori's motives remain unknown."

The impact on Alisha Owen's trial, of such a presumably authoritative national TV show passing judgment on the Nebraska case, was devastating. Although the judge expressly ordered the jurors not to watch the program, a good number of them did, and several reported that it was the main topic of discussion in the jury room the next morning!

In articles on July 20 and 21 and a lead editorial of July 26, 1991, the *World-Herald* attacked victim Owen, Senator Schmit, and myself as "bacteria that cause a plague," and ridiculed the legislature's investigation as a "Keystone Kop" affair. The editorial, entitled "The Lessons of Franklin," denounced all and sundry—Senator Loran Schmit, myself, the Legislature, the Omaha news media, Douglas County Sheriff Dick Roth, and the general public—whosoever had ever intimated that the children might be telling the truth—for "damaging the reputations of innocent people." Never again, the editorial intoned, should the Legislature exercise its rights to oversee law enforcement in the state.

■ ■ ■

Neither the Franklin case nor the hideous kind of activity it involved, however, are over with. The *World-Herald* itself demonstrated as much, in a July 20, 1991 article appearing side-by-side with one of its denunciations of the Franklin investigators. Under the headline "Male Hustlers Move In When Workers Leave," the paper trumpeted that prostitution and child abuse were here to stay.

The article quoted Sgt. Ken Bovasso of the OPD: "Male prostitution has been occurring at 16th and Jackson for years. . . . I don't think you can stop it . . . it will continue to happen." (This was the same Sgt. Bovasso who supervised Officer Irl Carmean's work with Loretta Smith, which abruptly terminated. He is also the Bovasso charged in the civil suit filed by this writer, with having subjected Paul Bonacci "to long hours of brutal interrogation involving threats, intimidation, [and] physical and mental abuse . . . purposely designed to prevent him [Bonacci] from disclosing any information he had regarding the conduct of prominent Omaha citizens.") Witnesses interviewed by the *World-Herald* described the expensive cars driven by the men who pick up young boys, and said that between "tricks" the boys shoot up drugs and discard the hypodermic needles on the sidewalk.

The Franklin case remains alive not only in Omaha, but in its nationwide and international scope. Karen Ormiston, Caradori's coworker, reviewed the case in September 1990. In her notes on a September 22, 1990 conversation with Alisha Owen's lawyer, Henry Rosenthal, Ormiston recorded:

> I did indicate to Henry that these kids were only a small part of this case, and that the bulk and real intent of this case was to determine why OPD, FBI, and the NSP had insisted that they had thoroughly investigated these allegations and concluded that there was no merit to these allegations. I also indicated that the end result of this case should be to determine where the monies earned from kiddie porn, child prostitution, and drug activity, were going to. Failure of the various law enforcement agencies to follow up on these

> allegations which they had received from several years back was also discussed. Again, I stated that the statements of the kids was [sic] very important, but these kids were but a small part of the frightening reality and extent of the "bigger picture" of this case.

Three days later, Ormiston wrote to Senator Schmit in the same vein:

> Gary and I have always maintained that these kids were not the case—they were only a small part of it. For instance, where does all the money go that is earned by child prostitution and kiddie porn, and what is it used for? Why is the FBI and/or others trying so desperately to cover all this up? We both know that if these people were just ordinary citizens that they would certainly be in prison right now based on the incredible amount of information they, the State Grand Jury and Federal Grand Jury, have already received. As a matter of fact, they would have been endicted [sic] based on just a small portion of this information and the allegations made against them.

The Franklin investigators had lifted a corner of the rug, under which could be glimpsed a national and international organized crime syndicate, engaged in pedophilia, pornography, satanism, drugs, and money-laundering, and protected, as their own limited investigation began to show, by federal authorities.

Pull a thread on any corner of this vast, seamless web, and the whole begins to unravel. In the Franklin case, this is nowhere clearer than in the testimony of Paul Bonacci.

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I debriefed Paul Bonacci at length, as did private investigator Roy Stephens, in preparation for the perjury trial that was not to be. Through his many personalities, each with its own distinct, partial recollections, Bonacci provided new evidence on child kidnaping, pornography, and murder taking place in the United States and abroad. The Franklin case was just one

part of what he knew. The North American Man-Boy Love Association, or NAMBLA, figured prominently in what else Bonacci could recall.

The motto of NAMBLA is "Sex before eight, or it's too late." One of its leaders is named David Thorstadt. Two of Bonacci's personalities, Sean and Christopher, have "Thorstadt" as their last name. Bonacci reports that he was brought into contact with Thorstadt through two Omaha men, that he traveled with Thorstadt to New York, and that he witnessed NAMBLA-organized auctions of children.

Alexandrew, another Bonacci personality, wrote to Dr. Densen-Gerber, who had examined him in prison, in April 1991:

> I can even recall when and where I remember you from. Tell me if I'm wrong in which I know you wouldn't remember me. It was in New York on December I believe the 28th or 29th, 1982, it was a Tuesday or Wednesday (not important). It was a news conference at I believe the Holiday Inn. I had to wait for David [Thorstadt] with a friend. When he got done he told me that wicked old witch Gerber was someone he had to fix somehow.

Densen-Gerber, dubbed "public enemy #1" by NAMBLA for her efforts to expose the organization, commented, "He's absolutely right. The details are perfect. . . . "

Bonacci may remember events in Europe. He tells of having traveled to Europe more than once. One of his personalities speaks and writes German, more fluently than is probable just from Paul's brief study of German in high school.

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In July 1991, just as the Franklin case got officially wrapped up at the sentencing of Alisha Owen, the news broke in Iowa that Paul Bonacci had given evidence in one of the most notorious kidnaping cases in the country. It was the disappearance of Johnny Gosch.

Early Sunday morning, September 5, 1982, 12-year-old Johnny Gosch went out on his *Des Moines Register* paper

delivery route, as usual. Only that Sunday, he never came home. For nine years, his parents have searched the country for him. Most evenings, and weekends when they were not on the road to check out leads, they sold candy bars in local shopping centers, to finance the search. In late 1990, the Gosches got the first major break in years, because of what Paul Bonacci had to tell.

I had noted that one of the events Paul described reminded me of the case of Johnny Gosch, which I had read about years earlier. I went to the library, and confirmed the similarity of the details of the case, with what Paul said. I then contacted the Gosch family. They advised me that they had had their fill of false leads from people who claimed to know something about their missing boy, and people who claimed to have information for sale but did not seem genuinely interested. But a couple of weeks later, Mr. Gosch did come to Omaha.

The *Des Moines Register* of July 24, 1991 reported on what developed:

> A Nebraska inmate has provided details about the abduction of Johnny Gosch that only someone with firsthand knowledge could have had, his lawyer said Tuesday.
>
> Inmate Paul Bonacci's account "did not match up 90 percent, not 95 percent, not 98 percent, but 100 percent," John DeCamp said.
>
> "I am convinced this kid is telling absolutely the truth. . . . He never varied on the time. He gave a description of Johnny's pants, names on his shirt, scars on the body."
>
> DeCamp said he became suspicious of a Gosch connection when he read a transcript of a psychiatrist's interview with Bonacci in which an "incident" involving a newspaper carrier was mentioned. DeCamp said Bonacci didn't identify Gosch by his full name.
>
> "I went to the library and checked on Johnny Gosch. I wrote to the Gosches and told them I don't know if there is any validity, but the dates coincide and he talks about someone from Iowa."
>
> DeCamp said John Gosch, the boy's father, met with Bonacci, "and started getting chills. I believe he believed him," DeCamp said.

John Gosch, Sr. walked into the prison in Lincoln, Nebraska to meet Paul Bonacci for the first time, unannounced. Sitting down across from him, Gosch asked Bonacci, "Do you know who I am?" Bonacci replied, "You look like—it can't be—the eyes, you look like Johnny Gosch."

Noreen Gosch told the *World-Herald,* that paper reported on July 22, 1991, that Bonacci knew "some incredible things" about the case. For instance, "There were photographs taken of Johnny prior to the kidnaping. We know this because a woman reported it to police. We're convinced Bonacci saw those pictures. He accurately described the location, which is not far from our home. He described many things about the pictures which we have never publicly talked about." Bonacci also described a mark on Johnny Gosch's body, which the Gosches had never publicized.

As a result of the Gosch meeting, Roy Stephens came to visit with me. Shortly after we discussed Paul Bonacci and the Gosch case, I hired him to check out Bonacci's story on Gosch and on other things.

Roy Stephens is an Omaha-based investigator and a founder of the Missing Children's Foundation. A former safecracker who went straight, Stephens was named "Outstanding Man of the Year" for 1991, by the Nebraska Jaycees, for his work in recovering children. Roy is remembered in Nebraska, as the man who did what the police and other investigators were unable to do—locate and cause the conviction of the kidnaper of Jill Cutshall, the Norfolk, Nebraska girl who disappeared in 1987 and almost certainly was murdered, though her body was never found.

Stephens was cited as the leading child finder in the nation, in an article in the 1991 summer supplement to *Forbes* magazine: "The best in the business in that field, according to a survey of his peers, is Roy Stephens . . . who has recovered some 50 missing children over the last five-and-a-half years," said G. Gordon Liddy of Watergate fame, now a private security consultant in Florida.

Stephens spent hundreds of hours debriefing Bonacci in prison, and many more on the road in Iowa, Nebraska, Colorado and Minnesota, visiting the sites and tracking down the

people Bonacci told him about. Quoted in the July 22, 1991 *World-Herald*, Stephens said that Bonacci "hasn't told me anything that hasn't been true."

Bonacci described to Stephens the kidnaping of Johnny Gosch, as an eyewitness:

> PB: Well, we got up at, oh, before the sun got up. He [Emilio] said he wanted to go out cause he said that he had been around here before and stuff and he said that paper boys would be going out pretty soon. He said he might be able to, that that would be the best bet. He wanted them, because he said they were easier on mornings cause there was nobody else around. Everyone else is asleep. . . .
>
> RS: O.K., so it was just you, Mike and Emilio. And you were in his blue car, the blue Chevy. O.K., then what happened?
>
> PB: Oh, then he, well, at first he had us, they had Mike was in the back seat and he was kind of covered up with a blanket. . . . Me I was stuck in the trunk. Because I had said something and Emilio hit me a couple of times.
>
> RS: What did you say?
>
> PB: Called him a dirty bastard because of the way he treated Mike. . . . At night when we was in the hotel and stuff he'd brought some other guy and made Mike have sex with that guy. I didn't think that was right. . . .
>
> RS: O.K., so you're in the trunk and Mike is on the floor or on the back seat covered with a blanket, and what [happened]?
>
> PB: And then I heard them talking to somebody else at the car, but I don't know who it was cause we stopped. He was talking to somebody asking for directions; asking where some place was. And it sounded like there was more than one kid. It sounded like there was a couple of them there. And then we went around the block and he let me out of the trunk and told Mike to, he says, if you don't do what I say, I'm gonna shoot you. He has a gun he pulled out and pointed at me and says, you do what I say or I'll shoot you. We drove around. . . .

RS: So you're out of the trunk now?

PB: Yeah. I was sitting in the back seat with Mike.

RS: You're both sitting there? Were you hidden in the back seat or were you just sitting up normal?

PB: Down low, kind of sitting on the floor. And then Emilio, I guess, I don't know what he did, but he, Mike told me, he says, when the car slows down, he says, when you feel the brakes jerk, he says, I'll grab him and you just hold him down. And so it happened quick. It's like we went up, I felt the brakes jerk, and I saw the door fly open and I saw Mike jump out and the next thing I know there was somebody, you know, he grabbed the boy and he'd thrown him in and my job, you know we were supposed to do is just hold him down and gag his mouth so he couldn't yell or nothing. And then after we had, just, like two seconds, just spun off, tore off, got out of there.

Two other people were involved in the kidnaping, one of whom was a local contact. Bonacci named them all. According to a July 18 article in the Des Moines *Register*, "Stephens has told the family, sources say, that [Bonacci] identified the Des Moines 'contact' from a photograph. The suspected contact, said [Noreen] Gosch, has been under suspicion by the family for some time." Furthermore, "Gosch said Stephens told her the same ring may be involved in other kidnapings in the region, including the suspected abuction of Des Moines *Register* carrier Eugene Martin, 13, in south Des Moines in 1984, and more recently, that of Jacob Wetterling in St. Joseph, Minn."

Bonacci described a network of safehouses, where the pedophile ring stored kidnaped children before selling them. He said he met Johnny Gosch again several years later, and provided a detailed description of the farm on which Gosch was being kept in Colorado and of Gosch's new "parents," a homosexual man and a lesbian in their thirties. After Gosch once attempted to run away, Bonacci reported, they branded him on the buttocks with the same brand used on horses and cows on the farm, of which Bonacci drew a picture for Roy Stephens.

The man called Emilio was part of a highly organized na-

tional and international kidnaping ring. Stephens asked Bonacci, "What did Emilio tell you that he did for a living?"

PB: Kidnap kids and took them to Las Vegas.

RS: What kind of kids?

PB: Any kid that he could get.

RS: Does it matter if it's male or female?

PB: Him, no, him he'd kidnap boys or girls. Main thing he'd kidnap was boys, though, 'cause he said he'd get more money for them. Emilio used to tell me all kinds of things like how they could get away with kidnaping kids and sell them out of the country. He said most of the kids were sold in Las Vegas at a ranch he took me to one time for an auction. I went with him to Toronto several times where boys were sold. I saw a few girls once in a while. He said virgins could bring as much as $50,000. They called the boys toys, used toys brought in money but not as much. . . . Most boys were sold out of America cause it's harder to find them. The men who bought them had planes and could transport them easily.

Bonacci ran into Emilio again in March 1986, near Buena Vista, Colorado, on the second occasion he saw Johnny Gosch.

Despite the astonishing new information from Paul Bonacci on the Gosch kidnaping, West Des Moines police "have not interviewed Bonacci and have no plans to do so," according to the July 21, 1991 Des Moines Sunday *Register*. "We are aware of what's going on," said Lt. Gerry Scott, in charge of the Gosch investigation. "We're not going to reinvent the wheel. This has been investigated in Nebraska. When things need investigating, here, they will be investigated."

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Bonacci also conveyed to Stephens specific recollections related to two other notorious cases—pedophilia and ritualistic abuse in Jordan, Minnesota, and satanism and child sacrifice near Bakersfield, California.

In 1983 and 1984, Scott County, Minnesota prosecutor Kath-

leen Morris investigated and began to prosecute a ring of child molesters centered in the town of Jordan. Child victims had testified about satanic rituals and the filming of children in sex acts. "The case involves the largest adult-juvenile sex ring in Minnesota history, authorities said," reported the Minneapolis *Star-Tribune* on November 18, 1983.

At least 30 children told police they had been molested. Morris brought indictments against 24 adults. *People* magazine of October 22, 1984 summarized, "The village harbored rings of adult sex abusers who incestuously victimized their own children and other children during ritualistic sex parties involving sadism and bestiality. Some of the children described a bizarre sexual variation of hide-and-seek in which children who were 'found' were taken to a bedroom and abused." The children told of witnessing three ritualistic murders.

Child care workers and psychologists found the children highly credible. Psychologist Michael Shea, who treated some of them, told *People*, "Children are not able to fantasize in such graphic detail about sexual acts which are outside their experience. And they certainly can't be coerced, or bribed or brainwashed into making statements about their parents." Minnesota psychologist Susan Phipps-Yonas, who also interviewed some of the children, told the *Star-Tribune* that she fully believed their reports: "It's not just the details that make them convincing, but the [emotional] effect behind the stories. They're extraordinarily upset when they recount these things. They'd have to be world-class actors to be so convincing if it wasn't true." Phipps-Yonas speculated that since the children talked about large sums of money changing hands, organized crime was likely involved.

Morris indicted the ring's chief figure, 26-year-old James Rud, on 108 counts of child abuse. His parents, Alvin and Rosemary Rud, and his 17-year old brother were also indicted, as were several other people from the Valley Green Trailer Park, 35 miles outside of Minneapolis-St. Paul. Most of the abused children also lived in the trailer park.

Like the Franklin investigators in Nebraska, Morris came under savage attack from media and the political establishment

in her state. Under pressure, she ultimately turned the investigation over to state Attorney General Hubert "Skip" Humphrey, Jr. To the horror of many, Humphrey soon released a 29-page report titled "Scott County Investigations," which closed the case, citing "insufficient evidence." Minnesota Governor Rudy Perpich then appointed a commission to investigate Morris! Humphrey named one of his political cronies, lawyer Kelton Gage, as "independent counsel" to present evidence against her.

Yet in 1991, from prison in Nebraska, Paul Bonacci identified by name, from pictures, some of the same individuals Morris had been investigating. Some of Bonacci's conversations with Stephens about these events have been transcribed:

> RS: You know anybody else who hurts children or takes kids or sells them or takes pornography of them?
>
> PB: I don't know what their names are and they're all from mainly not even from. . . .
>
> RS: From this area? Where are they from?
>
> PB: Minnesota and California.
>
> RS: Do you know where or who?
>
> PB: . . . in Minnesota there was one guy named James Rud. He lived with his mom and dad, cause I remember we went out to his place one time in a trailer.
>
> RS: And that's in Minnesota?
>
> PB: Yeah, that was in Jordan, Minnesota.

A second exchange between Bonacci and Stephens, recorded on September 28, 1991, shed more light on the events in Jordan.

> RS: What do you remember about this little boy named Joey?
>
> PB: Joey? Oh, that's what I wanted to tell you about . . . Jordan, Minnesota.
>
> RS: Jordan? That's where he came from?
>
> PB: Well, he wasn't kidnaped, his parents let him go, 'cause his parents were friends with Emilio and they had some strange . . .

RS: It's okay.

PB: That there's a bunch of parents, that are not just parents but other people in that town that were abusing kids. . . . Bob Bentz, that's the one I told you about that had the two [inaudible].

RS: And this guy's name was Bob?

PB: Uh-huh. Bentz.

RS: How do you spell it? Bentz.

PB: B-e-n-t-z.

RS: And he's in Jordan? When was this?

PB: Mmmmm, that was in '82.

Stephens had asked Bonacci to draw up a list of both abusers and victims. Later in the same conversation, Stephens went through the written list out loud.

RS: Okay. What do you have written here? What does this say? Who is this Bob? Is that his wife's name? Lois? Bob and Lois Bentz? They had three sons? Okay. This is the Bob you told me about?

PB: Uh-huh [yes].

RS: And Joey is theirs? Okay, and Jim Rud is the guy who lives with his mom and dad at the Valley Green Trailer Park?

PB: Yeah. 'Cause I remember one of the games we played was called hide and seek basketball.

RS: Hide and seek basketball? How do you play that? You're not talking about regular basketball, are you?

PB: No, it's sex. . . . A lot of people lived in Jordan that were doing that [child abuse]. 'Cause when we were up there [inaudible] they tortured a couple [of children] that came in.

Bob and Lois Bentz were tried for child abuse, including of their own three sons, in August 1984, and acquitted. However, their acquittal left grave doubts in the minds of many in the town. Some incidents from the trial were featured in the *People* story:

Among the children who testified against the couple was their 6-year-old boy, Tony, who told the court that his father had sodomized him and his brothers. Although the boy was confused over the meaning of the sexual terms, when a defense attorney asked if he feared that his father would abuse him again, the boy looked across the courtroom at Bentz and replied, "You won't do that no more, right?"

During the grueling cross-examination, defense attorneys succeeded in shaking some of the young witnesses' stories by hammering away at dates, places and word meanings. However, a 12-year-old girl steadfastly refused to waver from her testimony. When a defense attorney accused her of lying, she snapped: "You're just helping Bob and Lois [Bentz] to get out of this stuff, this child-abusing stuff, I'm not lying, you guys are. It's the truth, they hurt us." Later she rushed tearfully into the arms of a social worker.

Though the Bentzes got off in the Scott County case, James Rud plea-bargained. Before the case was scratched, he pleaded guilty to lesser charges. In 1978 and 1980, Rud had been convicted of sexually abusing children in Virginia and Minnesota, respectively.

On other occasions, Bonacci described ritualistic abuse and the sacrifice of a boy at a place near Bakersfield, California. The details of his testimony, including names, are consistent with the 1983–1985 investigation by Kern County, California Sheriff Larry Kleier into satanic ritual abuse there. Despite attempts by the state attorney general, John Van De Kamp, to discredit the Kern County investigation as based on "hearsay" and "hysteria," a grand jury indicted seven people on 377 counts of pornography, child abuse and drug possession. They were convicted in a 1986 trial and sentenced to a total of 2,600 years in prison, but a state appeals court overturned the convictions in 1990, on grounds of "egregious prosecutorial misconduct."

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Several months after becoming Paul Bonacci's attorney in the summer of 1990, I remarked to a friend, "You know, the

more I find out about this case, the more I am absolutely convinced that drugs are a major part of it. Everywhere you turn, there are drugs, and on a huge scale. The kids report Alan Baer involved in bigtime drugs from California, Larry King has been reported as a major pusher, and Wadman's name has been strongly linked to drugs."

Through the use of young boys and girls, Larry King was able to have a nationwide drug transportation network. It interfaced perfectly with his ability to compromise and blackmail politicians or businessmen. Having cocaine available could make it easier for Larry King to entice prominent people, after they got drunk, and then high on the drug, into sex with a teenaged girl or boy.

According to the accounts of Paul Bonacci and Alisha Owen, Alan Baer was running a nationwide drug ring, and used children 18 or under as couriers. Once the children became 19, and thus could be tried as adults, Baer let them go.

Senator Ernie Chambers observed to the Executive Board of the Legislature on December 19, 1988, just as the Franklin investigation was getting underway:

> My community is ravaged by drugs. We see the Omaha police picking up kids from 14 to 18-years old with a half an ounce or less of these narcotic substances and that is supposed to be fighting the drugs. These are nickel and dime pushers, not suppliers, not mid level suppliers. A few days ago the Douglas County Sheriff got together with some of the county sheriffs, one was from Sarpy, and they made a raid and they got a pound and a half of heavy drugs, some money and some weapons. They didn't tell the Omaha police. And I talked to the Douglas County Attorney and I told him I was glad they didn't tell them because had the Omaha police been notified this drug bust would never have occurred, they would have told the individual, they would not have gotten a substantial amount of the drugs. These nickel and dime people in my community that they are arresting don't have the connections or the money to bring the amount

> of drugs into the City of Omaha that are coming. And certainly the little piddling amounts that are picked up by the police have no meaning or significance. When we wanted, as a community, to help organize and work with a task force of black officers to address the drug problem and the gang problem, Chief Wadman fought it tooth and nail and did not want it, wanted to deny that the problem existed. And I said the only reason that a police official would be opposed to this kind of action is because he knows something or he's part of it.

One of Caradori's informants stated that Wadman was instrumental in bringing the drug-trafficking gangs, the Los Angeles-based Bloods and Cryps, into Omaha. According to a June 19, 1989 report by Caradori's predecessor at the Franklin committee, Jerry Lowe, members of the Bloods and Cryps were identified by local police as driving Larry King's car.

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As soon as awareness dawned, that sexual and ritual abuse of children was happening in Nebraska, and that it was being protected from within the political and law enforcement establishment, a resistance movement on behalf of the children took shape. In her famous interview on Geraldo Rivera's TV special on satanism, Kathleen Sorenson identified her group as Believe the Children. Later, friends of Kathleen were active in the Concerned Parents group, which urged that the testimony of Loretta Smith and others be investigated on its merits, instead of dismissed out of hand.

Against the shroud of cover-up, imposed by the *World-Herald* in its treatment of the Franklin case, some newspapers showed the integrity to keep all aspects of the case alive in Nebraska. Foremost among these has been the *Nebraska Observer*, published by the Nebraska Citizens' Publishing Group and edited by Frances Mendenhall.

While most of the national press dropped the Franklin story,

in the summer of 1990, *Executive Intelligence Review* sent an investigative team into the state to report on the case first-hand. Its July 27, 1990 article, "FBI covers up child abuse, murder in Nebraska," brought a rain of denunciations on the pages of the *World-Herald*, which made much of the fact that *EIR* was founded by the jailed economist and presidential candidate, Lyndon LaRouche. After an initial "no comment" from an FBI spokesman, Nick O'Hara's successor at the Nebraska-Iowa office of the bureau, Charles Lontor, took to the pages of the *World-Herald* on August 13, to denounce such talk of cover-up as "nonsense," and to say that the FBI did "not wish to become involved in a futile public debate with them [*EIR*] or anyone who may choose to support their efforts."

It was my view, that the Franklin cover-up was so massive in Nebraska, that it could not be broken just inside the state. In 1991, the case did receive attention in the Italian weekly *Avvenimenti* and in *Pronto*, published in Spain. Both articles came from Italian journalists Giovanni Caporaso and Massimiliano Cocozza Lubisco, a team that has produced many stories for Italian television. After their own May 1991 investigative trip to Nebraska, they wrote about the kidnaping and sale of children as "the market of horrors." They quoted Paul Bonacci and Roy Stephens at length.

I was glad of the presence of other international observers, who came when the Schiller Institute, founded by Helga Zepp-LaRouche in 1984 and based in Washington, D.C. and Laatzen, Germany, organized an *ad hoc* human rights fact-finding mission to Nebraska. In response to a Schiller Institute appeal, nine people from five U.S. states and three foreign countries constituted themselves as the Citizens' Fact-Finding Commission to Investigate Human Rights Violations in Nebraska. Among them were the Reverend James Bevel, former close associate of Dr. Martin Luther King, Jr., an Austrian leader of the European Citizens' Initiative to Protect Life and Human Dignity, the president of the Ukrainian Political Action Committee of the United States, and a clinical psychologist from Canada. They came from October 11 to 17, 1990, and during

that week, interviewed many witnesses, visited the Omaha FBI office, watched hours of videotaped testimony from child victims, and read mountains of documents.

The Citizens' Fact-Finding Commission issued a report that denounced the "torture and murder-in-progress" of Paul Bonacci, and said that there was so little recourse through the law left in Nebraska, that an international spotlight needed to be shined on the systematic "violations of human rights" there.

After these findings were published, one hundred fifty clergymen, civil rights leaders and other community leaders from throughout the United States signed a "Letter to the Citizens of Nebraska," which endorsed the findings and called on the Senate Franklin committee to pursue its investigation "at all costs." The *World-Herald* refused to print the Commission's findings and the endorsement letter, even as a paid advertisement. In an October 20, 1990 article by Bob Dorr, the paper attacked the independent fact-finders as "LaRouche Investigators."

There and in subsequent articles, Dorr called upon the expertise of so-called "anti-cult" specialists from the Anti-Defamation League (ADL) of B'nai B'rith and the Cult Awareness Network (CAN), in attempts to rebut the Commission's work. Rev. Bevel came in for particularly strong attack by such defenders of the cover-up.

Rev. Bevel was so horrified by what he witnessed during the short mission of the Fact-Finding Commission, that he moved to Nebraska for a period of months, to work with citizens resisting pedophilia and the cover-up of it. He was the target of death threats and physical attack in Omaha.

At first I thought that Rev. Bevel must be crazy, or a radical trouble-maker. Why would a middle-aged man with a family to support take off and move to Nebraska in the middle of winter, to take up a cause that could guarantee him nothing but grief, and might get him killed?

But as I watched him work and saw his dedication, I learned more about faith, hope, charity and truth from this one dedicated individual, than from all the priests, pastors and rabbis I

have known. Rev. Bevel cared about one thing—children. Children were being abused and were going to be abused, unless something was done. The more Bevel worked, the more he was condemned by the *World-Herald* for his efforts in the black community, particularly, to expose the sins.

Rev. Bevel and others found there was a tremendous unspoken support among the people of Nebraska, for the victims of the child abuse ring. Radio call-in polls showed that Nebraskans, by margins of up to ten to one, do not agree with the way prosecutors have handled the Franklin case or believe that the witnesses are hoaxers.

During 1991, a newly-formed citizens' group called the Nebraska Leadership Conference mobilized a large number of people, hundreds of whom traveled to Lincoln for several large conferences. At two of the conferences, detailed background presentations on the exploitation of children and on the Franklin cover-up were made by knowledgeable people from many different institutions and organizations in Nebraska. At a third, out-of-state specialists on satanic cults were given the opportunity to educate Nebraskans on the scope of the problem. The conferences turned into mass meetings, which rallied support for the victim-witnesses.

In September 1991, the Nebraska Leadership Conference issued a pamphlet called "The Mystery of the Carefully Crafted Hoax," which documented many of the inconsistencies in the Douglas County grand jury's and other official versions of the Franklin case.

After Alisha Owen's conviction, Frances Mendenhall's *Nebraska Observer* devoted its July 12, 1991 issue to a dissection of the flaws in Alisha's trial, and related matters. One article was, "Owen Trial Was a Far Cry from Justice," in which Mendenhall reviewed such key issues as the contradictory behavior of Troy Boner and the lack of any demonstrated basis for the central claim of the prosecution, that Alisha Owen was motivated by a desire for publicity. Other headlines included, "Evidence the Owen Jury Didn't Get to See," "Common Misconceptions About the Owen Trial," "Caradori Widow Ques-

tions Fairness of '48 Hours'," and "Bonacci Recalls Early Trauma," which drew out the implications of dropping the charges against Paul.

Thousands of copies of that *Observer* issue have circulated in Nebraska.

Many demonstrations of support for Paul Bonacci and Alisha Owen were held in Lincoln and Omaha, outside the facilities where they have been imprisoned. A group called the Children's Civil Rights Committee was active in these, and also began holding weekly prayer meetings in Omaha, in December 1990. The Children's Civil Rights Committee has been instrumental in efforts to reinstate the Legislature's investigation into the Franklin case.

Another group that played a key role in 1990 and 1991 efforts to crack the Franklin cover-up, by lobbying and literature distribution, was the Commonwealth Depositors Committee, led by Reuben Worster and Dr. Melvin Bahensky. A respected veterinarian, now in his eighties, "Doc" Bahensky is legendary for his spirit and tenacity in fighting to expose the wrongs in the Commonwealth and Franklin cases. He always maintains, that they are one and the same.

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In October 1991, the Nebraska State Parole Board voted 5-0 to parole Paul Bonacci, who has been serving a five-year sentence since 1989. On Hallowe'en, soon after a scathing *World-Herald* editorial against the decision, the board reversed itself. As Bonacci's attorney, I responded with the following press release:

> From beginning to present, Franklin has been a cauldron of cover-up skillfully executed by powerful and wealthy thieves and pedophiles. Punishment, destruction and even elimination of those who would expose or try to correct the evil wrought by these individuals is the reward of child victim-witnesses and any who would aid those children.
>
> The perpetrators have corrupted institutions of government. Abetted and at times absolutely led by the Omaha

> *World-Herald* they have systematically turned lies into truth and truth into lies. A "free" Paul Bonacci would continue to provide information which helps expose individuals and offenses involved in this cover-up. So, one way or another, they intend to eliminate Paul Bonacci—no matter what it takes. That is my very real fear.
>
> Therefore the *World-Herald* intimidated an already frightened and beleaguered parole board into effectively reversing their original proper decision to allow this youth out of prison. If there is a God above, the Franklin cover-up will fail and the evil and individuals involved will be exposed. Meanwhile, the visible payoff to the Parole Board will be a glowing editorial in the Omaha World Herald.

Right on schedule, the *World-Herald* came out on November 3, 1991, with an editorial, "Vote on Bonacci Was Sensible." Flaunting its clout more blatantly than ever, the paper took credit for the reversal, attributing it to lobbying by "the press and others."

I have often said that I wish I had never heard of the Franklin Credit Union, Larry King, or Paul Bonacci. I sincerely mean this. Why? Simply because I believe Paul Bonacci is telling the truth, and that our institutions of government have been as badly corrupted as that implies.

If I still had the luxury of believing, as I once did, that the allegations of drug abuse, child abuse, pedophilia, theft and satanic cult activity were exaggerated imaginings of some over-active child and adult imaginations, then I would not have to do anything about Franklin. I could still be enjoying an income of $400,000 per year as a lobbyist, without having to work too hard, instead of being financially strangled as clients are intimidated away from hiring me, because of the Franklin connection.

But I do know that it's true, and because of my upbringing, I have no choice but to plow ahead.

Were there any reasons for me or others to be "afraid or concerned" about our lives? You make your own judgment, after I tell you about just one documented incident.

At the height of the legislative Franklin investigation, when

the Douglas County grand jury was also going full bore. I received a phone call in the middle of the night, from a close friend of mine in Omaha, who wanted to warn me that my life might be in danger. It was approximately a week after Gary Caradori died.

"Why do you believe this?" I asked. "Are you sure you are not falling into a trap, overreacting to rumors?"

"I don't know," answered Mary Kay Evans, a former campaign chairman of mine. "As you know, I am close to one of the University of Nebraska Board of Regents members, Dr. Robert Prokop. He called me and said he did not particularly like you or really ever get to know you, but that he felt he had an obligation, morally, to warn you."

I knew of Dr. Prokop. Everybody in Nebraska did.

Prokop had been chairman of the Board of Regents for many years. He had been a Democratic candidate for Governor of Nebraska just recently. And he was somewhat famous as a police pathologist, not only in Nebraska, but for many cities in the United States.

"What did Prokop say," I asked, "that has you so concerned?"

"He simply told me he was with the police, riding around talking to individuals on the street—which he does once a month, he said—and he learned that you were supposed to be the target of an assassination, because of your Franklin involvement and trying to force the investigation there. And he said that if I cared about you, that I should call you so that at least his conscience would be clear."

The next day, I called Dr. Robert Prokop. I told him who I was and what Mary Kay had said. I asked him if Mary Kay was imagining things, or maybe just getting carried away a bit, because of all the concern and fear that Franklin was generating.

Prokop was stern and nervous. "We really don't know each other," he said, "but I feel I have a moral obligation to tell you that when I was with the police last night, one of the very reliable informants we talked to advised us that you, John DeCamp, were supposed to be the 'first hit,' instead of Gary Caradori. In other words, Mr. DeCamp, you were supposed to

be eliminated first and then Gary Caradori if that was necessary. Now that Caradori has been killed, I was concerned that maybe they will go ahead with the next hit, which means you."

"Are you serious?" I asked. "Do you really think there is even a remote possibility that could happen?"

"I have no doubt it could happen," Prokop said. "I have been doing police work and autopsies for almost as long as you have been around. And I think I know the difference between conversation and serious talk. That's why I felt I had to warn you, even if it is not my area of responsibility."

After warning me by phone, Prokop took it upon himself to make three separate trips to Lincoln from Omaha, to meet with the legislative Franklin committee and try to warn them of the seriousness of this threat.

So, am I crazy to be concerned? Is Prokop crazy? Maybe so. But there have been too many surprises for people closely involved in Franklin, who ended up dead.

I was prepared to take Bill Colby's warning seriously, when he sat me down and warned me that Franklin would never be dealt with without exposure in the national and international press.

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What is Franklin really all about?

Was it theft by a black politician of forty million dollars? Is it child abuse?

Is it just a big "homosexual party," as Mr. Fenner from the NCUA suggested to me?

Is it laundering money for Iran-Contra?

Were there murders to protect rich and powerful people?

Were there politicians involved in the sins and the cover-up?

Does it involve satanic cult activity and pedophilia, and exploitation of children in horrible ways?

Why does the *World-Herald* care so much, and why has it gone overboard to damage and discredit anyone who would maintain that Franklin is more than a hoax?

Why do people continue to believe, that there was and is a cover-up, by prominent wealthy businessmen and politicians?

What I am going to offer now are my conclusions, my beliefs, based on the massive information I have seen and heard since Franklin broke in November 1988.

First, I have absolutely no doubt, that prominent individuals, whom everybody in Omaha is familiar with, and many of whom have been named during the investigation, have engaged in long-term activity involving drug peddling and drug abuse, child abuse, and pedophilia, with particular attention to the abuse of young boys.

That in the case of Larry King and the cadre of people he dealt with closely, boys and girls like Paul Bonacci, Troy Boner, Danny King, and Alisha Owen were used as drug couriers for a national program of illegal narcotics marketing. They were "throw away" kids. Because they were teenagers and younger when they were doing this activity, they provided a perfect insulation blanket between the real drug czars, like Larry King or Alan Baer, and the law.

Larry King was able to read people and compromise people through their weaknesses. And Larry King knew whom to cater to and to compromise. Compromise the heads of institutions. Cater to the secret sins of a law enforcer, so that when you need protection, that official is not in a position to do anything but sit and watch your illegal activities. Cater to the weakness for drugs, or 13-year-old girls, or 9-year-old boys, and then blackmail as required.

Yes, based on what I have seen, much of which I am legally forbidden to reveal, I have no doubt that child abuse, pedophilia, illegal drug trafficking, murder, satanic cult activity, theft, and a host of other crimes were involved in what we have come to know as the Franklin scandal.

Just as surely do I believe, that there was and is a cover-up.

Just as surely do I fear, that nothing will be done about it.

So, let me conclude my saying simply this: Bill Colby, you were right. It is too big. I am too small. They are too rich and powerful, and go up too high in business and government, for me to touch them or do anything about it. Yes, it is something

that I should have abandoned long ago and faced up to the fact that good does not always triumph and that evil, with its many faces, does sometimes succeed.

At least for a while.

If this book is read and acted on by others, I hope it will be more than just what Colby called my "private parade."

APPENDIX A.

SUSPICIOUS DEATHS TIED TO THE FRANKLIN CASE

At least fifteen people who were close to the Franklin case have died under suspicious circumstances. Many of these deaths were violent, others were unexplained.

1. Bill Baker. He was a restaurant owner in Omaha, and a partner of Larry King in homosexual pornography operations. He was found shot in the back of the head.

2. Shawn Boner. Brother of victim-witness Troy Boner, he died of a gunshot wound from "Russian roulette."

3. Gary Caradori. Chief investigator for the legislative Franklin Committee, Caradori told associates days before his death that he had information that would "blow this case wide open." He died when his plane crashed on July 11, 1990.

4. Andrew "A.J." Caradori died at the age of 8, in the plane crash with his father.

5. Newt Copple. A confidential informant for Caradori and his investigative firm, Copple was a key behind-the-scenes activist fighting the cover-up of the Franklin case. Son of Commonwealth Savings owner S.E. Copple, businessman in his own right, an ex-champion wrestler with no prior health problems and parents who lived into their late eighties and nineties, Copple suddenly "died in his sleep" in March 1991, at the age of 70.

6. Clare Howard. The former secretary of Alan Baer, who

arranged Baer's pedophile trysts, Howard "died in her sleep" in 1991.

7. Mike Lewis was a former caregiver for victim-witness Loretta Smith. He died of a "severe diabetic reaction" at the age of 32.

8. Joe Malek, associate of Larry King and an owner of Peony Park, where homosexual galas were held. His death from gunshot was ruled a suicide.

9. Aaron Owen, the brother of victim-witness Alisha Owen. He was found hanged in his cell in Lincoln, Nebraska, hours before one of his sister's court appearances.

10. Charlie Rogers. A reputed homosexual partner of Larry King, Rogers said that he feared for his life, in the days before his death. His head was blown off with a shotgun, in what was ruled a suicide.

11. Dan Ryan, an associate of Larry King. He was found strangled or suffocated in a car.

12. Bill Skoleski. An officer in the Omaha Police Department who was believed to be keeping a file on Larry King, he died of a heart attack.

13. Kathleen Sorenson. The foster parent for Nelly and Kimberly Webb after they fled the home of Larry King's relatives, Jarrett and Barbara Webb, she was an outspoken activist against satanism. Her death in a suspicious car crash is related in Chapter 15.

14. Curtis Tucker. As associate of Larry King, he fell or jumped out of the window of the Holiday Inn in Omaha.

15. Harmon Tucker. A school superintendent in Nebraska and Iowa, a reputed homosexual, his death had signs of satanic ritual murder. He was found dead in Georgia, near the plantation which Harold Andersen and Nebraska-Iowa FBI chief Nicholas O'Hara used for hunting.

APPENDIX B.

BOBBY AND ME

It is impossible to understand the Franklin scandal and its cover-up, without knowing the environment created in Nebraska when Robert Kerrey was governor, 1983 to 1987. It was an atmosphere of permissiveness for the rich and powerful, to do mostly as they pleased.

Some of what follows, I probably should have said some time ago. Now, the prospect of Bobby Kerrey holding the highest office in the land means that I, who am knowledgeable about Kerrey in a way that probably no one but the closest of his cronies is, have no choice but to speak out. I could say much more, but I think the following episodes, in addition to what I have said in Chapter 6, are enough to shed important light on Bobby's character.

• • •

I have always called him "Bobby" or "Roberto." Bobby has always called me "John-boy." Joseph Robert Kerrey and John William DeCamp.

We go back about twenty years.

Bobby had just returned from Vietnam with one and a half legs and the Medal of Honor and was trying to sort out his physical pain and mental bitterness toward the Vietnam experience. I came back from the Nam about a year later and went almost directly into the Nebraska Senate as one of the youngest state senators in the United States.

Bobby had been a Navy lieutenant on special duty in Vietnam with the SEALS. I had been an Army infantry captain in the

south, in the Mekong Delta, on special assignment to John Paul Vann and a program called CORDS, which was run by then Deputy Ambassador to Vietnam, William E. Colby. Colby would later become head of the Central Intelligence Agency, under Presidents Nixon and Ford. I functioned as an infiltrator and analyst for CORDS, which in fact was more CIA than anything. Officially, CORDS was the pacification program. But that's another story.

In the early 1970s, I was aware of Bobby because of his war protest activities and his Medal of Honor. He was aware of me because of my high profile and controversial activities as a state senator.

One of the first things I did in Nebraska, following my return from Vietnam, was to sponsor a legislative resolution, which some viewed as a war protest, but which in reality was an attempt to open dialogue on the Vietnam War issue and to educate the politicians in the United States as to what was really occurring in Vietnam.

The essence of my plea in the legislative resolution was this: Let us win or get us out of this war. Do not keep us in the position of not being allowed to win and not being allowed to lose, swinging in the wind.

For the first time in its 100-year history, the Nebraska Legislature voted not to allow any discussion on a resolution. It also forbade any hearing on the resolution to be held within the walls of the Nebraska State Capitol. This was how volatile this issue was back in 1971, and how adamant the elected officials in Nebraska were against anybody daring to question the propriety or value of the Vietnam War.

I was hurt and discouraged by this action and what I viewed as the stupidity of the Legislature, in refusing to want to learn about the issue. As I sat at my Senate desk, licking my wounds after the vote to ban any hearing on the topic, *Lincoln Star* reporter Don Walton came up.

"Pretty discouraging, wasn't it?" Don asked.

"Yeah," I muttered angrily, "these bastards think they can suspend the First Amendment by some vote of this legislature that effectively says the Vietnam War does not even exist. No

wonder they call them hayshakers. They love to wallow in their own ignorance. Sad thing is, they might actually learn something about the Vietnam War—they might even learn to understand why there are war protests."

Don Walton bent over my desk and whispered in my ear, so no one standing around would hear. "The way I read that resolution the Legislature just passed," Don said, "was that they were not allowing any discussion on your resolution to occur inside the walls of the State Capitol. I did not see anything in that resolution that said you could not hold a hearing outside the Capitol, on the front steps."

Don smiled. I perked up. In a flash, I knew what he meant.

Defy the Legislature. Hold a hearing of our own right on the steps of the Capitol. Invite one and all to come and participate. Have any senators attend who wanted to. Let the others chicken out if they wanted, but make sure everyone got counted.

And that is exactly what I did. I announced the hearing would take place on the "north steps of the Nebraska State Capitol." The press did the rest.

On the day of the hearing, the Capitol steps were barren of people, except for more law officers, undercover police, FBI agents, and CIA operatives than had ever been assembled in Nebraska at one time. The only senators who dared to come sit on the steps of the Capitol to participate in the hearing and listen to testimony were: Senator Terry Carpenter, the firebrand from Scottsbluff, who had gained national attention by nominating a non-existent "Joe Smith" for President at the Republican National Convention years ago, to mock the nomination process at conventions; Senator Ernie Chambers, who has gained state, national, and international attention for his unwavering defense of the rights of African-Americans; Senator P.J. Morgan, now Mayor Morgan of Omaha; Senator Wally Barnett, who later became Nebraska State Fire Marshall; and myself, Senator John DeCamp.

As we five sat there at our make-shift hearing table on the steps, I felt disappointed. We were going to be made fools in front of the state and national press, because of the failure of

the people to care enough to show up for the hearing. And I was going to be the biggest fool of all.

Then we heard a distant rumble. Slowly it grew louder. As we looked north from the Capitol steps, we could see the street filled by a mass of human beings moving straight toward us.

It was the most moving sight of my life. There they were, several thousand people marching on the Capitol, covering the street for blocks behind the leaders. Men in wheel chairs who had lost limbs or worse in Vietnam; combat veterans who came back shattered in spirit or mind, who had been cynical about everything but afraid to express it; students from the University of Nebraska by the thousands; and businessmen and housewives by the hundreds.

In the front, leading the parade, was a young war hero named Bob Kerrey.

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The event turned out to be the largest hearing ever held by the Legislature, up to that time. As ideas were shared, those who supported the war and those who opposed it, including many on both sides of the issue who had fought in it, came together for the first time and communicated. It was awesome.

Part way through the hearing, a group of Vietnam War veterans moved up to the podium and began depositing medals they had earned for acts of heroism. This was their way of repudiating the war, and for them it was a catharsis.

Years later, there were rumors that Bob Kerrey was one of those who deposited a medal in the "coffin" some of the vets brought to the hearing to put the medals in. Kerrey has always denied this.

In 1982, when Bobby was running for governor, his participation in the event became an issue with potentially damaging political consequences. At that time, I discussed the matter with Bobby, as he sought to minimize the damage his opponent, Governor Charles Thone, was doing to him for having attended and thrown away his medal.

I remember Bobby's pleading discussion with me in my office at the Capitol, as the issue heated up. I had publicly admired and praised him for his participation because, back in 1971, it was a sign of courage. Now Bobby pleaded, "For God's sake, you're killing me. Just let the issue drop. Besides, I don't think I was even there." He declared that he had been in Peru visiting his brother at the time of the hearing, so he could not have been there.

I was dumbfounded. But as Bobby grew more insistent that he had not been there, I started to become confused about the matter myself. I complied with his request, taking his word, and publicly said that I must have been mistaken to say that Bobby attended the hearing.

Recently, I decided to see what records there were of that special hearing, twenty years ago, where Bobby now said he was not present. In the files of the *Lincoln Journal,* I found a May 6, 1971 article, which identified Congressional Medal of Honor winner Bob Kerrey as one of the main speakers at the rally. The article said, "A Nebraska native and Vietnam Congressional Medal of Honor winner, Robert Kerrey, in a prepared statement said that the 'Viet Cong or North Vietnamese troops are angelic compared with the ruthless Americans.' "

I checked the files of the *World-Herald.* They also report Bobby as a speaker at the hearing. Two days after the event, Bobby wrote a letter to the *Journal* in which he said that what he meant was that " . . . the evidence of atrocities in Vietnam is sufficient to support an argument against all wars. . . . "

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Over the next several years, we had little contact. Bobby entered the restaurant business and—with a little help from a law I helped amend, that let an individual obtain more liquor licenses than were allowed until then—began to do quite well. He became a significant personality in Lincoln, the state capital. Meanwhile, I was having more legislative success than I had dreamed possible.

It is quite something, to look back at the headlines from that

era, in the same *World-Herald* that today is trying to destroy me for defending the Franklin victims: " 'Gladiator' DeCamp is Tall in Capitol Arena: Fast-Moving Senator Wields Vast Influence"—from March 26, 1978. "Kingpin or Carpenterlike, John DeCamp Wields Power in Legislature"—from April 1978; here, C. David Kotok chronicled what he called my "rise to legislative kingpin." My influence on events was such, said Kotok, that "The 1978 Legislature even has been dubbed 'the DeCamp session' by some." The authors of those two articles, Kotok and Frank Partsch, today write most of the *World-Herald*'s editorials, many of which have viciously attacked me.

Bobby and I next had quite a bit to do with each other in 1982, during the Nebraska gubernatorial race. I was there when the state's leading powerbrokers anointed Bobby as the next governor, in fact it was I who suggested they anoint him. That is a fascinating story, but let me first give a little necessary background.

Starting in the mid-1970s, a debate over the structure of Nebraska's banking industry emerged as the issue which would dominate state politics for a decade. Officially dubbed "Multi-Bank," the issue was a turf battle of monumental proportions, over who was going to own the banks in Nebraska, and what competition was going to be allowed in the purchase of existing banks.

On one side were the "Independents," who advocated ownership of banks by individuals. The Independents were very strong in Nebraska, as in many rural states. On a per capita basis, as I recall, we probably had more banks than almost any other state in the United States.

On the opposing side were the "Big Banks," particularly those based in Omaha, the state's largest city. Nebraska law forbade holding companies, which could own many banks. If holding companies were allowed, the big banks would naturally start buying up a lot of small banks—"Multi-Bank." That was the issue.

In 1976, I won the chairmanship of the Senate Banking Committee, which controlled banking, finance and insurance in Nebraska. That is, I thought I won it. I know today that I

was merely the bright young legislator selected by powerful men in business and politics, to aid their efforts to change the banking structure in Nebraska.

I believed at the time, that the banking structure changes I was proposing, which would allow the big banks to get bigger, were good for Nebraska. I thought they were necessary, as well as probably inevitable.

It was this battle over bank structure, that next brought Bobby and me together.

In 1978, the banking forces I supported determined that we had likely assembled enough senators in the recent election, to pass the Multi-Bank structural changes. But we had to be sure that if we passed the legislation, we could get it signed by the governor. A veto would be fatal. It was possible to get a majority of votes to pass the legislation, but electing enough senators to override a governor's veto might take two or three elections, or forever.

It would be much faster and cheaper, the big boys concluded, to control the governor.

Accordingly, at a very private meeting between a Nebraska congressman named Charles Thone; the state's then-premiere lobbyist, Jim Ryan; Omaha National Bank President and CEO John Woods; Omaha National Vice President Don Adams; and myself, certain agreements were reached. The meeting was held at John Woods' personal residence in Fair Acres, Omaha, in a quiet "servants' quarters" outside the main house. The understanding was clear, that we would work to make Charles Thone governor. And Charles Thone, who said he strongly believed in our Multi-Bank bill, gave his iron-clad pledge that he would sign it, just as soon as we could "put it on my desk."

But the best laid plans of mice and men go oft awry, and that is what happened with the new governor, Charles Thone.

Charlie liked being governor. Charlie was cautious. Charlie did not want to do anything that made anybody unhappy. The last thing Charlie needed after being in office for a couple of years, was to have a controversial issue on which he had to play King Solomon, which would make one or another powerful group hate him, no matter what he did.

Multi-Bank was exactly that. The two contending groups of banks financed almost all major political races in Nebraska—on both sides—for almost a decade. Politicians would pledge their support to either the Independents or to the Big Banks, led by Omaha National (later to merge with First National of Lincoln to become FirsTier), as the first step toward running for public office, particularly for the Legislature.

Some politicians came to believe that they would never really have to cast a vote on the issue, because there would never be enough votes to get the bill passed. Therefore, they could promise to support Multi-Bank, without having to worry about a final vote or signature on the bill. Charles Thone was apparently one of those. As long as the bill never reached his desk, he could promise till the cows came home that he would sign the bill, but he would never be held accountable.

But on a fateful day in 1980, something happened in the Legislature that nobody dreamed possible. It had never happened in the first one hundred years of Nebraska history. There was a tie vote, 24 to 24. Nebraska's unicameral Legislature has 49 Senators, but on this day, Senator Ernie Chambers decided to sit on his hands, rather than vote for what he regarded as one bunch of evil-doers against another. Then, in an act of dubious legality, Lieutenant Governor Roland Luedtke cast the deciding ballot in favor of the Big Banks. Never before had a lieutenant governor voted on *anything*.

Governor Charles Thone was in a dilemma. If he signed the bill, he incurred the wrath of the powerful independent bankers. If he did not, he betrayed the promise he had made to John Woods and the Omaha business community, who were intent on this piece of legislation.

Charlie did the smart thing. He left town and criticized Luedtke for having improperly voted for the bill. Luedtke responded by putting on the hat of Acting Governor, and signed the bill into law.

The story did not end there. On instructions from Attorney General Paul Douglas, who favored the independent bankers, the newly passed law was not entered into the statutes. It was as if it had never passed.

In the next year's legislative session, the Big Bank forces came back with guns blazing. Led by me on the floor of the Legislature and in the Banking Committee, we marched the legislation slowly but surely through three legislative votes and to a final showdown with Governor Thone. We had a bare majority, but nowhere near enough votes to override a governor's veto.

On a spring day, as Charlie was dreaming of an easy reelection, as the newspapers were saying that he was unbeatable, being a Republican governor in a Republican state, who had done nothing really right or really wrong, we laid the newly passed legislation on Charlie's desk.

John Woods sent clear messages to Charlie Thone, that he was expected to live up to his promise to sign the legislation. But the Independent Bankers had their own ace in the hole. They had the leading independent banker in the state meet one-on-one with Charlie and "explain the facts of life."

The facts were these: 1. That if Charlie signed the legislation he would be politically dead, because . . . 2. The Independent Bankers would organize a referendum on the newly passed legislation and put the issue on the ballot in the next election, where . . . 3. As Charlie, we and everybody else knew, it would almost certainly be defeated, because the voting public was inclined to support the Independents. Charlie would be done for.

Charlie got the message. He *vetoed the bill.*

With that veto, Charlie's political doom was sealed, and the door was opened for Bob Kerrey to be the next Governor of Nebraska. Until then, Bobby was still frying hamburgers at his restaurant, and was no closer to the governorship, to Debra Winger, or to Hollywood than the local movie theater.

John Woods was adamant. So was super-lobbyist Jim Ryan. Charlie Thone must be eliminated. It was time to come up with other candidates.

To my suggestion that they seriously consider supporting me for Governor, the answer was unanimous. I was too controversial. I had too much political "baggage." I would not like being governor. I was too effective as a legislator and besides, as everybody knows, except for signing bills, the Governor of Nebraska is not as powerful as independent legislators.

What they said was probably true. They wanted me as their power broker in the Legislature.

I suggested we get behind a young man named Bob Kerrey. For a couple of years, there had been talk about Bobby. I had even dreamed, as I told Bobby many times, of running for Governor, with Bobby as Lieutenant Governor. I knew others were encouraging Bobby, too.

From that meeting on, it was a done deal. Jimmy Ryan and Omaha National Bank Vice President Don Adams were assigned the task of meeting with Bobby privately to sort out whether he would support Multi-Bank legislation.

Bob Kerrey filed as a candidate. A lot of people found it remarkable, that Democrat Bob Kerrey had the heavy support of the normally totally Republican Big Bank establishment.

In November 1982, Kerrey became Governor of Nebraska. His first public appearance as Governor was to testify before my Banking Committee for Multi-Bank. Shortly thereafter, he signed the bill into law.

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Though the support of John Woods and the Omaha business community was the most critical factor in Kerrey's election, there was another force in Nebraska politics at the time, whose support was believed to be practically indispensable to winning the election. This was the pro-life movement.

The vocal head of the pro-life group, Senator Bernice Labedz of Omaha, was more than just another state senator and more than just another pro-life leader. She was the matriarch of the Democratic Party. She was close friends with both of Nebraska's U.S. Senators, J. James Exon and Edward Zorinsky, for each of whom she had worked as office manager. Her support for a candidate guaranteed tens of thousands of votes.

Bernice wanted to support Bobby Kerrey, but she was not going to support anybody who was not pro-life. Bobby knew he needed to do whatever he had to, to win her support. Only with Bernice on board, and with the backing of the Big Bankers,

could Bobby do the impossible—win election as a Democratic governor, in a solidly Republican state.

Bobby wrote a letter, for distribution as a true representation of his stand on the abortion issue.

> Dear Bernice,
>
> In the months ahead, your advice and support will be critical to my ability to provide new leadership for our State. Your courageous leadership in advancing respect for human life, promoting a strong family and a decent society, has been an inspiration to me as well as thousands of our fellow Nebraskans.
>
> We have a common commitment to use our God-given abilities to defend and protect the sanctity of human life. There is no value I hold more dear than the conviction that every society should have as its first priority the protection of the life of its members. . . .
>
> Since becoming a candidate for Governor, I have consistently stated my opposition to abortion. As recently as May 14, 1982, in both the Omaha World-Herald and the Lincoln Journal, I stated, "I find abortion to be morally repugnant." It was in the Omaha World-Herald on May 14, 1982, that I also stated clearly that my position was not "pro-choice." . . .
>
> I believe the unborn to be human life and entitled to all the protections the State can legally offer for the preservation of life . . .
>
> I believe there are many important challenges that face us over the next few years. Reducing the number of abortions in our State and working with you toward the elimination of the need for even a single abortion will be of a highest priority. I am confident working in partnership with you in the years ahead will be one of the most rewarding experiences of my life.
>
> Best wishes,
>
> (signed) Robert Kerrey

Following her rule that "a man's word is his bond," Bernice rolled out the political machine of the pro-life movement, in favor of Bobby and away from Charlie Thone.

But in 1991, when Senator Bob Kerrey decided to run for

President of the United States, the political winds had changed. Polls showed that only a candidate who would have the support of the pro-choice movement, stood a chance to beat George Bush.

Bobby's first substantive act in his presidential campaign was to repeat a pattern I had seen during the years I worked with him. He repudiated everything he had previously said on the subject of abortion, acknowledged that he had been essentially fibbing in his pro-life statements, and admitted that he had given the previous false commitments purely for the purpose of getting elected.

Campaigning in New Hampshire, Kerrey was quoted in the October 17, 1991 *World-Herald,* regarding his letter to Senator Labedz: "It was a political act, yeah, and an act about which I feel very little pride. . . . The whole issue of not just abortion but many of the other emotional issues in 1982 were extremely difficult. I didn't know what public policy was for certain, should be for certain, and—as a result—I was all over the map."

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The Multi-Bank legislation was not Governor Robert Kerrey's only foray into state banking law. In 1983-84, the state's banks were experiencing severe problems. In the summer of 1984, Kerrey called a special legislative session to deal with these problems, but specified that it would not deal with the most notorious of them, Commonwealth, whose collapse he himself had precipitated with his infamous press statement of October 31, 1983.

As the Legislature convened, however, Kerrey expanded the session to handle a completely new proposal of his own crafting, which did bear on Commonwealth and State Security. Kerrey's crony Bill Wright was involved.

Kerrey's new proposal was for a special form of interstate banking, in which *only one* out-of-state banking group would be allowed to take over Nebraska financial institutions. It would be arranged so that this single out-of-state group, a Colorado-

based combine with which Kerrey's associates were secretly working, would quietly take over Commonwealth and State Security, in return for the interstate banking monopoly.

I had been sponsoring legislation to allow legitimate interstate banking, but this was not legitimate. It was clear to me that the reason for the Kerrey administration's approach to Commonwealth, was to cover up a multitude of sins related to State Security, owned by Kerrey's intimate Bill Wright.

I met with Bobby. We talked intensely. I made clear that I would support a competitive and reciprocal interstate banking proposal, which I thought would help all Nebraskans, not one that would be used to bail out individuals involved in what I felt was corruption. I mentioned for the first time to him, face to face, the role of his friend and adviser Bill Wright.

When we ended our discussion, I thought Bobby would abandon his idea, and accept an interstate banking proposal along my lines. A legitimate interstate bank bill, however, could not be used by Bobby and his friends for their personal purposes, related to Commonwealth and State Security. From that standpoint, Kerrey, directed by Bill Wright, had to push through his peculiar form of interstate banking.

Led by his chief of staff, W. Don Nelson, Kerrey lined up enough votes to bypass my Banking Committee and railroad his bill through the Legislature and onto his desk where he could sign it. Or so he thought.

They had their votes lined up. It required 25 of the 49 to pass the legislation. Most senators knew less about the legislation than a sow knows about Sunday. But by using the most traditional political methods, carrot and stick, the Kerrey adminstration had gotten commitments from twenty-six senators. They were ready to roll.

Roll they did, using the most powerful lobbyists and the heaviest pressure the administration could put on. Through a technicality, I was able to stop them dead in their tracks. I invoked a procedural ruling, which forced them to have thirty votes to ever get to a vote on the bill itself. They had twenty-six votes, not thirty. Bobby was angry.

Immediately after the vote, I left for the Republican National

Convention in Dallas. When I got there, reporters were calling me for my response to Bob Kerrey's latest action.

"What action was that?" I inquired.

"Bob Kerrey has declared you a 'non-person' whose existence he will no longer recognize in any way," they said.

"How can you declare somebody a ghost?" I asked. "How does Bob Kerrey think he has the authority to declare me a 'non-person'? What planet is he living on that he thinks he has this incredible power?"

I thought for a minute. Bobby was riding as high as any governor ever had in Nebraska. Movie star Debra Winger was now living in the mansion with him part time. All Nebraska was in love with Bobby and Debby. Camelot was here, and Nebraskans were lapping it up. There were pictures of Bobby fluffing up a pillow, smiling and saying, "Just fluff up your pillow and dream about it"—his response when asked what it was like to date Debra Winger.

I knew the press was in love with Bobby, and that anything I said had to be simple and not susceptible of distortion. "Bobby has to learn that there is more to being a governor than macho and movie stars," I told the press.

Later, when I returned to Lincoln from Dallas, I learned from a close friend of mine and of Bobby, a prominent lobbyist, that immediately after the legislative vote in which I stopped his banking proposal, Bobby stormed out of the Governor's office and down to the doors just outside the Legislature, where he yelled out a threat:

"I know you lobbyists worked for John DeCamp to stop me on this. Well, I promise you one thing. DeCamp is 'dead meat.' Do you hear me? DeCamp is 'dead meat.' I mean it!"

When I was an infantry captain in Vietnam, the phrase "dead meat" was well known. It was what a soldier, usually an enlisted man, threatened an officer with just before "fragging" him. "Fragging" was a live grenade tossed into the tent, living quarters, or restroom facility of another soldier, most commonly an officer.

Live grenades usually kill or maim people. Bobby knew that. His foot was most probably blown off by a live grenade

that either the enemy threw or, as he himself has indicated, one of his own men accidentally dropped near him. Originally no one dreamed Bobby would be recommended for a Medal of Honor. Recently disclosed records show that as the Pentagon attempted to "popularize" the war, the word came down to create more heroes, to recommend more wounded for medals. Since there were more places to fill on the list, Bobby's name suddenly popped onto the bottom of it. This may be a crude way of putting things, but since the Medal of Honor is being cited by the press as the apparent best evidence of Bobby's qualifications to be President, it is legitimate to discuss it. And I do not think Bobby would deny this.

In 1984, Bobby knew that this lobbyist would deliver the message that I was "dead meat," which he did. It occurred to me that I might be dealing with an emotionally disturbed individual. I had no doubts, as to how important the legislation was to help bail out and cover up the State Security scandal, in which Bobby and his friend Bill Wright were involved. And I knew how detrimental such legislation would be to the rest of Nebraska's million and a half citizens.

A governor or legislator does not go completely nuts over a proposal the way Bobby did, unless he has something personal at stake. And I was well aware of what Bobby and his friends had hanging on their interstate banking plan.

The more I learned about State Security, the extent of the thievery that had occurred there, and the fact that the publicity about Commonwealth was being used as a smokescreen to protect State Security from a deeper probe, the more at odds Bobby and I became.

As I kept the heat on with continual demands for an investigation of State Security, Bill Wright left town. When the press confronted Kerrey as to why Wright was gone, an angry Kerrey snapped, that Bill Wright was "driven out of town by John DeCamp."

Finally, the Legislature agreed to allow my Banking Committee to investigate the State Security situation. Eight hundred pages of committee investigation record what happened, and I have covered the highlights in Chapter 6.

This investigation did not get well under way until the final year of Kerrey's governorship. It is my belief, that the reason Robert Kerrey did not run for reelection, was because of this investigation and where he thought it would lead.

The best evidence I can give of this, is what happened after the November 1986 election. Kerrey did not run for reelection. I was defeated for reelection to the Legislature.

Bobby and I sat down for a heart to heart talk.

I had not yet issued the committee report. I had determined to wait until after the election, so that it would not appear that I was using it as a campaign tool. Bobby wanted to know what I was going to say about him in the report.

"As far as I am concerned," I told Bobby, "I have no reason to go after you. You have already been hurt enough, by having to drop out of the Governor's race. I have no reason to pick on you, because it was really Bill Wright who masterminded the State Security swindle, though you obviously played a role in it. I am not out to hurt you. We both have been hurt enough and blamed enough."

As far as I was concerned, Bill Wright was the key villain, and that is what I said in the State Security report. Perhaps I felt a bit sorry for my old friend who left half his leg in Vietnam.

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Two years later, Bobby and I had occasion to get together again for some very serious business.

I received a request from a close friend of mine, a lobbyist, that Bobby wanted to meet with me privately to discuss something before he made his decision on running for the United States Senate. We met in the lobbyist's office, for a long discussion. "Are you going to run?" I quizzed him.

"I don't know. You think I should? What are you going to do if I do?"

"You mean," I said, "am I going to try to hurt you?"

"Yeah, I guess that's what I mean. What are you going to do?"

"Bobby," I said, "I told you before that I think State Security

was one terrible scandal, with thousands of victims. I believe absolutely Commonwealth was a cover-up for State Security. But I don't think you were the main perpetrator of it. Sometimes we can be the victim of our own friends," I told him, somewhat charitably. "We get in so deep before we even know it, just a degree at a time, trying to help this guy or protect that one from embarrassment. That's what got Nixon in Watergate . . . trying to protect his friends. I truly believe Nixon did not know what the blazes was going on, but he was already in so deep, he had to take the fall for all the others because he was the 'officer in charge.'

"I think you did wrong in handling the whole thing—Commonwealth and State Security, but you weren't the mastermind. Bill Wright was. That I know, despite your denials.

"But," I continued, "just so you know exactly what I am going to do, so that you do not have to be looking behind your back all the time, here is exactly what you can expect:

"First, I will not do or say anything publicly that will hurt you. You had your punishment already, having to drop out of the governor's race.

"Second, with respect to the State Security issue specifically, and Bill Wright and all the thefts and crimes and cover-ups I know and believe occurred there, I will say nothing more than to tell people they can look at the official reports.

"In short, Bobby, I will do nothing to hurt you."

Then I was pressured and begged, by the highest elected and unelected officials of the Republican Party in Nebraska, to "trash" Kerrey during his U.S. Senate race, by making public everything I knew about him. Governor Kay Orr herself appealed to me to speak out. I refused, not just once, but again and again. With hindsight, I believe I should not have stayed silent.

Ultimately, someone hired a writer named Jack Hart, to go through the records of my legislative investigation and write a series of articles to establish the extent of the Commonwealth/State Security scandal and the culpability of Robert Kerrey. Hart's articles were essentially accurate, as far as they went, and I have quoted from them in Chapter 6.

I lived up to my promise to Bobby completely. And when

the election was over and Kerrey had secured his U.S. Senate seat, a hand-written note from Bobby confirmed that fact.

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So, why make an issue of Kerrey and Commonwealth and State Security now?

Because too much is at stake. Patterns associated with Kerrey from his earliest days in public life, which were accentuated in the Commonwealth/State Security affairs, are being repeated now in the Franklin matter, and have the possibility of being amplified onto the national level, if Robert Kerrey became President.

What are those patterns?

1. Abuse of public positions for one's own financial benefit. This is an invariant of Kerrey's career, from his first appearance in student politics at the University of Nebraska in 1964-65, where he was censured by the Student Council for pocketing profits from a Student Council program he was in charge of. We saw the same thing again in Commonwealth/State Security and the NIFA loan scam.

2. Shifting political position 180 degrees with the prevailing winds. When it was fashionable to be against the Vietnam War, Kerrey led the parade. When it became a political liability, he chucked his opposition overboard, and lied about it. When he needed votes and he could get them by denouncing abortion, he did so. When he thought the best way to get votes was to be pro-abortion, he embraced that position. In the lead-up to the Gulf war, Bobby was strongly against it. When it was clear that the war was popular, Bobby decided he had been "uninformed" before and switched his stance.

I saw this happen so many times, I used to call him "Flip-flop Bobby" to his face.

3. Acting as a puppet of forces behind the scenes. Bobby got his start in political life because John Woods and the Omaha business community anointed him to pass their Big Banks bill.

While governor, he danced to the tune called by them and by Bill Wright. Today he is controlled by a small circle which includes: John Gottschalk, publisher, *Omaha World-Herald*, and Kerrey business partner; William Wright, the individual who milked State Security's depositors of millions; Joe R. Seacrest, owner and publisher, *Lincoln Journal* newspaper; Bill Hoppner, his Chief of Staff who was effectively governor during the first years of Kerrey's administration, until he left the state to go work for Bill Wright in California; and Warren Buffett, billionaire from Omaha and the new CEO of Salomon Brothers.

These are the men who will tell Bobby when to open his mouth, and what to say, so much so that I will make a prediction: Look for Bobby to start taking stands for population control. His financial angel Warren Buffett is a fanatic on the issue, and funds the most radical population reduction groups in the country.

4. Operating with the protection of a corrupt press. The press can turn truth into falsehood, and lies into truth—such is its power in Nebraska, and also nationally. The media should be the ultimate check and balance of our other institutions of government in this country. Three times in my short life—the McCarthy era, Watergate, and Iran-Contra—it was the press that finally exposed the truth and kept our Constitutional system of government in place, rather than the institutions of government themselves that are assigned that purpose.

In the case of Commonwealth and State Security, Robert Kerrey had a relationship with the two major news sources in Nebraska, the *Omaha World-Herald* and the *Lincoln Journal*, that guaranteed presentation of a distorted and false picture of Commonwealth and State Security. His personal and business relationships with the owners and publishers of the *Lincoln Journal* guaranteed that truth would be sacrificed to convenience. And his business and personal relationship today with the *World-Herald* publisher guarantees even more certainly that same result from the *World-Herald*.

Lest anyone doubt the latter, consider the "open mike" inci-

dent of November 1991. Kerrey found himself on a podium in New Hampshire, sitting next to fellow-candidate Governor Bill Clinton of Arkansas. Not realizing a microphone was on, he told Clinton a dirty joke that was offensive to lesbians and homosexuals, whom he has otherwise supported. Some of the nation's press attacked him for his crudity. But here is how the *World-Herald,* run by his business partner Jack Gottschalk, covered it in an editorial entitled "Kerrey, Too, Deserves Apology."

> Bob Kerrey is right when he says he shouldn't have repeated the crude story he told Bill Clinton in a private conversation in New Hampshire. Nonetheless, it would be unjust if this stupid, minor, blown-out-of-proportion incident were to hurt Kerrey's campaign for the Democratic presidential nomination.

The *World-Herald* gave a tortured argument, that Kerrey was only telling Clinton the joke as an example of jokes which should *not* be told. At that, I had to laugh, because of a sense of *deja vu*. It was one unforgettable thing about politicians close to the Kerrey administration, that they habitually used a dirty or racial joke to open a conversation. Bill Hoppner, now chairman of Kerrey's presidential campaign, was the master of masters, when it came to telling the raunchiest sexist or ethnic joke. And this particular joke, Bobby Kerrey himself told years before, only then he used my name instead of Jerry Brown's!

Bobby's friends at the *World-Herald*, however, concluded:

> The senator on Tuesday apologized to anyone who took offense at the story. It was the proper and political thing to do. The way the story developed, however, Kerrey may be the target of a carefully crafted sabotage operation. Perhaps someone should apologize to him.

I sent the following letter to the editorial board of the *World-Herald* which, naturally, did not print it.

> Everybody suspected—but now we know, don't we?
>
> It really was the *World-Herald* directing the Franklin Grand Jury. For doubters, read the 20 November 1991 edito-

rial titled, "Kerrey, Too, Deserves Apology." That's right, Bob Kerrey tells dirty jokes about lesbians, and gets caught. Immediately, the *World-Herald* decides that Bob Kerrey is the victim because the evil people dared to catch him committing his dirty joke routine.

The *World-Herald* editorially attacks the accusers and labels Kerrey as the "target of a carefully crafted sabotage operation." And demands that his victims apologize to him.

In Franklin, the child-victim accusers were labeled as the bad people and the people they accused were the "target of a carefully crafted hoax."

Go ahead, *World-Herald*, tell us dumb Nebraskans that you did not write the script for the Franklin Grand Jury.

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As I told *People* magazine in their November 25, 1991 profile of the candidate, Bob Kerrey has a magical ability, to make s--- smell like apple butter. Charisma? He has more than anyone I have known. I think he imitates Jack Kennedy even better than Jack Kennedy at times, in the way he speaks and smiles.

He also has a practiced method for touching up his image.

I have seen Robert Kerrey resort more brilliantly, successfully, and often than any other politician, to what I call the Pre-emptive First Strike Confession. If you are about to be compromised or tarnished by your own record, act swiftly, before a scandal develops. Make a tearful confession to a friendly press conduit about your "youthful indiscretion" or your "regrettable shortsightedness." Take something that could and maybe should destroy you politically, and turn it into an asset.

When Bobby needed to clean up his image on banking matters in order to attack George Bush's handling of the S&L crisis, he staged a confession to Kotok of the *World-Herald*, that yes, perhaps, being new to politics and all, he had relied a tad too much on the advice of Bill Wright in the Commonwealth/State Security affair.

When it appeared that his repudiation of his 1982 anti-

abortion letter to Senator Labedz might be used against him in the presidential campaign, given his current pro-abortion views, Bobby explained that back then, "I didn't know abortion from a load of hay."

I dare the national press to go through the record of Bob Kerrey and see how many Pre-emptive First Strike Confessions he has made on major matters. Then, compare this with any other politician. Kerrey will win hands down.

With his flip-flops and prevarication, his personal aggrandizement, his manipulation by forces behind the scenes, and his protection by a controlled press, we are in for some very rough times, if Joseph Robert Kerrey ever becomes President of the United States.

I have warned you. I hope I never have to say, "I told you so."

ABOUT THE AUTHOR

Senator John DeCamp has the honor of being the Nebraska state senator most praised and most attacked by the *Omaha World-Herald*. He was hailed by that paper as the most powerful and effective senator, between 1976 and 1986. During the past two years, the *World-Herald* has attacked him, sometimes daily, for daring to fight against the drug runners and pedophiles they protect.

Today, Senator DeCamp is the lawyer for two victim-witnesses in the Franklin case, Paul Bonacci and Alisha Owen.

DeCamp is known for his tendency to "overturn the apple cart," and powerful people shake in their boots when DeCamp files an aggressive civil rights suit. There is a method behind this approach, in a state where cowardly cover-up and pitiful inaction have become all too common.

DeCamp served as an officer in Vietnam, and has often said that because of what he has seen, he is determined that the United States must never become a "closed society," where freedom would disappear as the citizens lost the opportunity to know or affect what was happening around them.

DeCamp was born in Nebraska, but his unusual experiences early in life helped make him a man of uncommon independence and determination. On his own from the age of thirteen, he traveled, lived, and worked in Europe and Iran.

John DeCamp was a captain in the infantry in the Vietnam War and also served with the CORDS program there. He was decorated, and honored at the White House, as one of the outstanding veterans of the Vietnam War. He is proud that he

was also the initiator and organizer of the internationally famous Operation Baby Lift, which evacuated 2,800 Vietnamese children who were orphaned in the war in 1975. All the children were subsequently reunited with people from their families, or adopted. On one flight alone, nearly 800 children were evacuated, probably the most people ever flown on one plane. DeCamp and his wife were foster parents for some of these children, until they could be placed for adoption. They have four children of their own.

While still in Vietnam, DeCamp became the first person ever to win election to the Nebraska Legislature, while serving in combat abroad. Although known as a key figure in Nebraska politics, he was not known to agree to any political deal that would compromise his principles. Senator DeCamp was regarded as powerful, but not politically "owned." He once bucked political powerbroker Eugene Mahoney, by running against Mahoney's choice for U.S. Senator.

As a Vietnam veteran with thirty percent disability, DeCamp has been the attorney and state lobbyist for both the Disabled American Veterans and the Veterans of Foreign Wars, and a national committeeman of the VFW and member of the American Legion.

John DeCamp has emphasized that in his mind, his experience in saving the defenseless children who were victims of war, and his commitment to save children victimized by the pedophile ring, are equivalent.

At the beginning of 1991, DeCamp filed a twelve-count suit in federal court, charging sixteen prominent individuals and institutions, including Larry King, Harold Andersen and the Omaha Police Department, with conspiracy to deprive Paul Bonacci of his civil rights. DeCamp's suit detailed slander, false imprisonment, child abuse, assault, battery and infliction of emotional distress suffered by Bonacci.

DeCamp has been the target of energetic and systematic efforts to bankrupt him, by behind-the-scenes pressures to deprive him of law and lobbying clients, as a result of his Franklin-related work.

Since taking Bonacci's case in 1990, DeCamp has also been

on the receiving end of personal threats. He told a journalist that during the previous year, "enough events, and mysterious deaths, and personal communications to me from *extremely* credible and responsible people, have made me believe that there is a very grave potential for getting killed. . . ." Bonacci's life, he added, "I think . . . is on a lot, lot, lot thinner string than even mine."

On June 21, 1991, the day Alisha Owen was convicted, DeCamp received another message, suggesting that he leave Nebraska for his and his family's safety. DeCamp treats these signs of danger seriously, but says he can't turn back. John DeCamp's actions speak loudly and clearly about his intentions. He is staying, and he is fighting.

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WHAT YOU CAN DO:

Call the U.S. Senate Judiciary Committee and demand an investigation of the FBI's role in this case. Phone: 202-224-3121.

If you live in Nebraska, call your state senator and demand that the Legislature's Franklin committee be re-established. The Franklin investigation can be reopened by majority vote of the Nebraska Legislature.

Call Nebraska officials and demand that Paul Bonacci be freed on parole. His medical/psychiatric condition requires it.

Governor Ben Nelson
Phone: 402-471-2244
Fax: 402-471-6031

Attorney General Donald Stenberg
Phone: 402-471-2682
Fax: 402-471-3297

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The Franklin Cover-up

The shut-down of Omaha, Nebraska's Franklin Community Federal Credit Union, raided by federal agencies in November 1988, sent shock waves all the way to Washington, D.C. $40 million was missing. The credit union's manager: Republican Party activist Lawrence E. "Larry" King, Jr., behind whose rise to fame and riches stood powerful figures in Nebraska politics and business, and in the nation's capital.

In the face of opposition from local and state law enforcement, from the FBI, and from the powerful *Omaha World-Herald* newspaper, a special Franklin committee of the Nebraska Legislature launched its own probe. What looked like a financial swindle, soon exploded into a hideous tale of drugs, Iran-Contra money-laundering, a nationwide child abuse ring, and ritual murder.

Nineteen months later, the legislative committee's chief investigator died—suddenly, and violently, like more than a dozen other people linked to the Franklin case.

Author John DeCamp knows the Franklin scandal from the inside. In 1990, his "DeCamp memo" first publicly named the alleged high-ranking abusers. Today, he is attorney for two of the abuse victims.

Using documentation never before made public, DeCamp lays bare not only the crimes, but the cover-up—a textbook case of how dangerous the corruption of institutions of government, and the press, can be. In its sweep and in what it portends for the nation, the Franklin cover-up followed the ugly precedent of the Warren Commission.

John W. DeCamp

During 16 years in office, former state Senator John DeCamp was cited, even by his enemies at the *World-Herald*, as one of the most effective legislators in Nebraska history. A highly decorated Vietnam War veteran, in 1975 he initiated Operation Baby Lift, which evacuated 2,800 orphaned Vietnamese children. He practices law in Lincoln, Nebraska, is married, and is the father of four children.

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